

Mr Carter fails to budge Indians on nuclear curbs

Both sides were embarrassed during President Carter's visit to Delhi yesterday, when a microphone picked up snatches of a private conversation between the President and Mr Vance, his Secretary of State. Mr Carter was overheard stating that a "cold, frank letter" be written to Mr Desai about nuclear safeguards but the Prime Minister said later he was not upset.

Microphone picks up unguarded remark

A microphone switched on ahead of formal talks between American and Indian officials began in Delhi yesterday. President Carter had found Mr Desai, the Indian Prime Minister, "pretty relaxed" against additional controls on the supply of enriched uranium. More embarrassingly, it picked up a remark by the President to Mr Vance, his Secretary of State, that "I think we ought to write him another letter, just cold and very frank."

Officials on both sides later sought to play down the remarks. But they enlightened everyone that what is basically the issue of nuclear non-proliferation, the single most sensitive question between the two countries, had been brought up by Mr Desai with characteristic forthrightness when the two leaders had their first personal encounter yesterday. President Carter arrived here on his seven-day tour of India. Mr Carter obviously thought he was confiding to Mr Vance as he filled him in on last night's talk without aides while leaders and ministers of the two countries assembled around a large table in the presidential palace, where Mr Carter is staying. He and Mr Desai have already corresponded on the nuclear problem.

Reporters present did not hear the remarks but a tape recorder caught them and afterwards a radio technician made them available. Mr Carter told Mr Vance he had informed Mr Desai that he was authorizing a second transfer of fuel, adding: "But it did not seem to make much impression." The incident came only a few days after Mr Carter's embarrassment in Poland when a staff translator provided an inaccurate rendering of his address. Briefing reporters afterwards along with Mr Jody Powell, the President's spokesman, Mr Jagat Mohan, India's Foreign Secretary, indicated that the authorization would be for 7.6 tonnes of enriched uranium for the Tarapur nuclear plant built with American assistance in the 1960s and situated near Bombay. This is considerably less, however, than the Indians had expected.

Mr Powell said that what the President meant was that the facts should be set down "in an unembellished manner". The remarks came in a conversation where attention was not being given "to the choice of words" and when the President was unaware that it was being taped.

The Indian official, struggling with reporters' questions, refused to speculate whether supplies to Tarapur would stop if India declined further safeguards. "A dialogue will continue on the question," he said. Legislation now going through the United States Congress envisages making all nuclear exports conditional on acceptance of so-called "full-scale safeguards" to prevent the risks of proliferation and Mr Powell emphasized that the Administration would be bound to implement over an 18-to-24-month period whatever restraints the legislation imposed.

India regards the non-proliferation treaty, which it has refused to sign, as discriminatory. It has accepted safeguards on supplies from other countries—indeed those recently accepted to obtain heavy water from the Soviet Union for the Rajasthan nuclear plant are believed to be a significant concession—but it still objects to the full-scale safeguards because it feels they would inhibit India's own nuclear development, including those with indigenous materials.

When he addressed the Indian Parliament after lunch, Mr Carter evidently tried to play things down, inserting into his prepared text, which did not go into any detail on nuclear matters, the remark that it was a "cold technological subject". Both Mr Carter and Mr Desai strove not to let the issue overshadow their efforts that the visit should mark a new phase in friendly relations.

Desai said: "I am not sure about Mr Carter's remarks, which were recorded without notice and this is not fair to him" (Agence France-Presse reports).

Photograph, and Callaghan visit, page 4

Mrs Gandhi forces split in Congress Party

From Our Correspondent
Delhi, Jan 2

The Congress Party has split after a revolt by the supporters of Mrs Indira Gandhi, former Prime Minister of India. The new faction, calling itself the "Indian National Congress", chose Mrs Gandhi as its president.

The two-day "national convention" convened by Mrs Gandhi ended here today after passing a resolution that the delegates at the convention represented the majority in the party.

Convention spokesmen said 347 of the 664 members of the All-India Congress Committee had attended but some observers put the figure at under 100. The committee is the representative body that elects the president.

Mr Brahmananda Reddy, president of the Congress Party, representing the main faction, has said that the election of Mrs Gandhi was "unconstitutional and illegal". He characterized the convention as "an effort of a few individuals to divide the party."

In her presidential acceptance speech today, Mrs Gandhi declared that she would build up the party with the slogan: "Forward to socialism."

The party would take up the causes of underprivileged and oppressed sections of society, she said. She would remain president only "for a while". There would be early organizational elections and then she would continue as a soldier of the party.

Mrs Gandhi said it gave her no pleasure to break with her brethren in the Congress. She had undertaken the venture because Congress had failed to strike out on a new path and build itself up, and because it had not hit out strongly enough at government policies inimical to national interests.

It is a foregone conclusion that Mrs Gandhi and her supporters will be ousted from the Congress Party. This may evoke a long-drawn legal case, both sides claiming to be the real Congress.

This is what happened when the 92-year-old party first split in 1969. Then the old split, including Mr Morarji Desai, the present Prime Minister, were thrown out.



The Prince of Wales with the hounds of the Quorn Hunt at Widmerpool, Nottinghamshire, during its new year meet yesterday.

Government aiming for 5% pay limit

By Michael Hatfield
Political Reporter

Mr Callaghan foresees wage increases of 5 per cent when phase three and the 12-month rule on pay settlements end in the summer.

Although no firm figure has been settled, and none is likely to be agreed by the Cabinet until March at the earliest, Mr Callaghan made the single-figure reference in an interview on BBC Radio's *World at One* programme on New Year's day.

He said that the level of wage increases would determine the level of price rises. He expected 10 per cent increases this year, but hoped for 5 per cent rises in 1979, a figure that required corresponding wage increases.

Ministers realize, however, that while a single-figure phase four is the ideal, it will be difficult to get the unions to think along those lines.

The unions do not recognize the 10 per cent earnings ceiling as such.

Mr David Barnett, chairman of the TUC and general secretary of the General and Municipal Workers Union, said yesterday: "The policy of the TUC is for a return to free collective bargaining."

"The level of settlements will be a response to the economic conditions prevailing at the time. It is up to the Government to ensure that those conditions, but there can be no stage four."

One school of thought inside the Cabinet is that union leaders may have misjudged the feeling among the rank and file in the autumn when they moved away from the concept of an incomes policy, and that by and large the membership has recognized the benefits of restraint.

For that reason, it is argued, the union leadership may want to ease its stance on tax rises, to ensure a continuing policy after phase three.

Others feel that talks with the unions can hardly be meaningful until after the budget, when the TUC will be able to see what the Chancellor proposes to do to cut taxation, restore some of the cuts in public expenditure, and reduce the rate of unemployment.

Party leaders' call, page 3

Cabinet files to keep atomic secrets for another 20 years

By Peter Hennessy

Among the 1947 Cabinet papers that will not appear today at the Public Record Office on expiry of the 30-year rule are minutes of the historic meeting at which a handful of ministers took a decision, in the utmost secrecy, to manufacture a British atomic bomb.

Only three copies were made of those minutes, taken at a specially convened Cabinet committee, GEN 163, with the Prime Minister, Clement Attlee, in the chair. They will not be made public until 1998.

Indeed, from the papers available at the Public Record Office at Kew today it is impossible to judge that the meeting of GEN 163 on January 8 1947, was the occasion of a great event. From the record now available the public will know only who was present and that item one of the agenda was "Research in atomic weapons."

The note taken by the committee's secretary, Mr D. H. F. (now Sir Denis) Ricketts, states: "The meeting had before them a memorandum by the Minister of Supply covering a note by the Controller of Production (Atomic Energy) (GEN 163/1). A record of the discussion and of the conclusions reached is contained in a confidential annex to these minutes."

Beside the last sentence an official of the Cabinet Office records section has written: "See CAB 104/285". CAB 104 is a classification used for documents with a 50-year embargo on their release.

The official history of the United Kingdom Atomic Energy Authority, published in 1974, contains much information, however, about the meeting of GEN 163. Professor Margaret Gowing's account in volume one of *Independence and Deterrence* makes it clear that the eventual manufacture of a weapon was implicit in the production of fissile material authorized on a large scale in 1946.

But Lord Portal, Controller of Production (Atomic Energy) and author of the paper GEN 163/1, felt he should ask the Prime Minister if he wished the matter to be referred to him for a formal mandate. He also asked Attlee to approve an especially stringent administrative procedure designed to keep the secret of the British bomb.

The meeting was delayed until Ernest Bevin, the Foreign Secretary, could attend. As so often in those years, his presence was the dominating voice. Professor Gowing records him as saying: "We could not afford to acquiesce in an American monopoly of this new development."

The meeting agreed that work on an atomic weapon should be undertaken, and approved the special administrative arrangements proposed by Lord Portal.

The reason for the 50-year embargo on the minutes of GEN 163, despite the summary of their content in Professor Gowing's official history, may be the continuing sensitivity of technical material contained in Portal's memorandum, which has also been withheld.

Professor Gowing said yesterday: "It is several years since I worked on these papers and I do not remember their detail. But the release of atomic energy papers is especially difficult, particularly because of residual technical details which may be concealed in papers that do not seem secret at first glance. This is particularly so because of our agreements with the Americans which date back for many years about the release of atomic information."

Attlee never took the decision to build a British bomb to the full Cabinet. Most of its members knew nothing about it until shortly before A. V. Alexander, the Minister of Defence, announced it in a low-key fashion in a parliamentary question almost 18 months later.

Eleven years after the meeting of GEN 163, Attlee told Professor John Mackintosh in an interview: "I thought some of them were not fit to be trusted with secrets of this kind."

The four ministers who attended the single, crucial meeting of GEN 163, in addition to Attlee and Bevin, were: Herbert Morrison, Lord President of the Council; Alexander, Minister of Defence; Lord Addison, Secretary of State for Dominion Affairs; and John Wilmot, Minister of Supply and Aircraft Production.

1947 records, page 2

Employers 'fed up' on eve of fire talks

By Donald Macintyre
Labour Reporter

Any possibility of an initiative that might end the seven-week firemen's strike appeared to have evaporated yesterday as Mr Rees, the Home Secretary, last night strongly worded statements from the union's and employers' sides.

Mr Rees is to join the local authorities and the Fire Brigades Union this afternoon in talks at the Home Office requested by the union last week.

Hopes of a settlement were not improved yesterday when Mr Martin Brannan, chairman of the employers' side of the national joint council for fire service, said he thought local authorities were "fed up to the teeth with the firemen."

Mr Brannan, a Conservative county councillor in Cumbria, said the employers had "put up with nonsense from the firemen for years" and said he could see little purpose in today's meeting other than that the union had asked for it.

He said the employers were "very determined" and added: "For years under the threat of a strike they have conceded all sorts of benefits. They have probably far better terms of working than industry."

Mr Jack Haworth, the union's vice-president, by contrast told a rally of 1,000 striking firemen that the employers were playing a political game. He added: "I do not honestly believe that they are aware that there is a strike on."

Mr Haworth said the union was entering today's talks from a position of strength, that the strike had secured a position for firemen in the future, and that Mr Rees should end his "stupid rigidity and show a little common sense."

Although still theoretically committed to seeking a 30 per cent increase from last November, the union is likely to seek a cash improvement that would not necessarily breach the 10 per cent guidelines.

The only room for negotiation appears to be the timing of a formula that would link firemen's earnings to those of skilled industrial workers from 1979.

No Tory guarantee: The Conservative Party could not guarantee to link firemen's pay with that of skilled manual workers if the party came to power, Mr Whitelaw, deputy leader of the party, has said in a letter to Mr Ian Wrigglesworth, Labour MP for Teesside, Thornaby (the Press Association reports).

Mr Wrigglesworth had written to Mr Whitelaw after striking local Fire Brigades Union leaders. Fire cost up: Fire damage cost an estimated £42,700,000 during November, when the strike started, compared with a monthly average of £18,500,000 in 1977 and £19,300,000 in 1976.

Witnesses to bombed car sought

By Craig Seton

The anti-terrorist squad at Scotland Yard yesterday appealed for witnesses to the movements of a car belonging to the Syrian Embassy shortly before it exploded in Mayfair, London, on New Year's Eve, killing two members of the embassy staff.

The two men were Mr Jawbat Awad, aged 40, the medical attaché, and Mr Sayez Shibly, aged 27, the embassy driver. They were sitting in the front seats when the bomb went off.

No motive for the killings has been established.

The car, a blue Volvo carrying diplomatic plates, was parked at the junction of Stamford Street and Abchurch Lane when it exploded at about 9.35 pm on Saturday, shattering shop fronts and windows.

Scientists have found that up to a pound and a half of explosives caused the blast, but have yet to discover whether the bomb was inside the car and if so, how it got there.

Investigations are being led by Commander James Nevill, head of the anti-terrorist squad. Interviews with Syrian Embassy staff have shown that the car was parked outside the embassy in Eaton Terrace between 8.30 pm and 9 pm on Saturday, but none of the staff knew where the explosion its movements are unknown.

The car was parked only a few hundred yards from Piccadilly Circus, where large crowds had gathered to see in the new year. But it is not known how long it had been there, or the reason.

The Syrian Embassy said inquiries were being left to Scotland Yard. Mr Awad, a married man with two children, had been in London for a year. He lived in Shepherd's Bush. The embassy said his job was to visit Syrian nationals who were in London for medical treatment and his duties could take him anywhere in the capital at almost any time.

Mr Shibly, a married man with three children, lived in Chiswick. He had been with the embassy for 18 months.

Embassy bomb is defused

Bonn, Jan 2.—A powerful bomb found at the Egyptian Embassy here was defused today two minutes before it was due to go off, police said.

The device, containing about 4½ lb of high explosive with Russian markings, was apparently thrown over a fence, landing a few yards from an oil tank in the boiler room. Two minutes before it was due to explode at noon, an embassy employee found the bomb and ripped out the time fuse. It is not yet known who was responsible.—Reuter.

Search begins for clues to Bombay air disaster

Bombay, Jan 2.—An aviation official said today he was "very suspicious about the cause of yesterday's disaster in which an Air India jumbo jet carrying 213 people exploded in mid-air and plunged into the sea off Bombay."

"Modern planes do not fall out of the sky just like that. The whole thing is very suspicious. But we cannot speculate now and we do not know whether it was sabotage or some other cause," he said.

An Indian Navy spokesman said that no survivors had been found and there was no hope of one. The flight recorder is still being sought.

Mr P. L. Kaushik, the Aviation Minister, visited the area today and announced that a High Court Judge will conduct a probe into the inquiry.—Reuter, Agence France Presse and AP.

8,000 estimated killed in Cambodia battles

Casualties in the continuing Vietnam-Cambodia border battles could already be as high as 8,000, American diplomats estimated in Bangkok. As Phnom Penh closed its embassy in Saigon and flew out its ambassador—significantly, to Peking—the Vietnamese appealed to their neighbours to settle their differences by discussion over the table. But observers viewed the possibility of a Vietnam thrust into Cambodia and the seizure of the capital as not too fanciful.

Korchnoi backs down and plays on

Korchnoi has backed down and resumed his game with Spassky in the world chess candidates' match in Belgrade. Although the demands of his "ultimatum" have apparently not been met, he returned to his board yesterday after a personal appeal from the president of the International Chess Federation.

Basque peace move

Mass demonstrations planned by Basque leaders have been called off as a result of the Spanish Government's plan to grant limited autonomy to the Basque country. A legislative committee has approved an urgent application of new royal decrees on autonomy which will involve at least three provinces.

Lively day's cricket

Pakistan hit eight sixes off England's spin bowlers in a lively day's cricket when the second Test match began at Hyderabad. At close of play they had made 230 for five, Haroon Rashid scoring 108, his second century of the series. Miandad was 48 not out.

Forest held to a draw

Liverpool, Arsenal and Manchester City all won and closed the gap on the first division leaders, Nottingham Forest and Everton, who drew 1-1. Those at the bottom eased their fears of relegation except for Leicester City, who are now six points away from safety.

Honour criticized: A Labour MP has criticized Mr Jack Jones for "besmirching an honourable career" by accepting appointment as a Companion of Honour 3 years ago.

Jerusalem: The World Zionist Organization has called on the Israeli Government to bolster settlements in occupied Arab territory by sending another 1,000 families to Sinal and 1,000 to the West Bank.

Letters: On the Moors murders, from Lord Hunt and others; on Civil Service pay, from Mr W. L. Kendall.

Leading articles: Mr Callaghan's visit to India: *Choir of nuclear reactors* features, pages 5 and 10.

Lord Cromer on how Britain can make the most of a golden opportunity: John Lawrence on what he would do if he were supreme ruler of all the Russias; Bernard Levin and the mystery of the inquiry—Reuter.

Arts, page 9
Peter Wood interviewed by Sheridan Morley; Michael Church on *Silver Spoon* (BBC1); John Percival on a new *Coppelia* in Manchester; John Higgins on the first night of *Die Fledermaus* at Covent Garden; Joan Chiswell on Jesse Norman's *Schubert* (BBC1); Harvey Thompson; the Ruler of Kuwait; Cricket: India in strong position against Australia in third Test; Rugby Union: Cardiff win first match against London, Scottish.

Queen has cold

The Queen was unwell with a heavy cold yesterday and spent the day resting at Sandringham House. She missed attending morning service on New Year's Day at Sandringham Church but 12 members of the Royal Family were present. A crowd of more than 10,000 waited outside.

Director dies

Mr Harvey Thompson, aged 47, director and general manager of Times Newspapers Ltd, died suddenly on Saturday in St Peter's Hospital, Chertsey, to which he was admitted for observation on Friday. He leaves a widow and four children.

TERRIBLE SUFFERING AFTER INDIAN CYCLONE

The real horror and suffering of survivors of the recent Indian Cyclone is only just beginning. Oxfam's field staff who arrived three days after the cyclone report that there are many widows left with children. Two million have been made homeless, and there is no way they can support themselves. The destruction has been complete. They have lost crops, boats, fishing nets, carts, cooking pots... everything.

Oxfam has already sent emergency supplies. Now we desperately need money to begin the long process of reconstruction.

Please send whatever you can to help them rebuild their lives.

Here is my donation for £..... for the victims of the Indian Cyclone.

Name.....

Address.....

Please send now to the Indian Cyclone Appeal, Room T1, Oxfam, Freeport, Oxford OX2 7BR.

Please help now as time is desperately short, we will send you a progress report when we can.

OXFAM
Where the need is greatest

ger talks
...with the Electrical, Electronic, and Plumbing Unions... are considering bandoning the sovereignty of their union's annual policy-making assembly in favour of a conference every three years... 800 delegates from both unions... Page 2

HOME NEWS

Mr Callaghan led by Asian leader for broadcast against voting 'on racial lines'

By Peter Evans
Home Affairs Correspondent

An attempt by the Prime Minister to discourage Asian voters from voting in the next general election on what he calls racial lines provoked an indignant riposte yesterday.

Mr Tara Mukherjee, president of the Confederation of Indian Organizations in the United Kingdom, said Mr Callaghan was wrong to bring the question of race into the Asian's legitimate lobbying of politicians over issues that concerned them.

The controversy is important because of the influence of ethnic minorities' voting patterns in key marginal seats at the last election.

During a BBC television interview on Sunday, in a programme for Asian viewers, Mr Callaghan was asked what he thought would be the effect of Asian votes in the election. He replied: "That is not a matter which I wish to discuss."

Party leaders call for election readiness

In a new year message to the Labour Party Mr Callaghan made it clear that he does not want to fight an election in 1978, which he sees as Britain's year of recovery. But he warned party workers to be prepared.

Mr Thatcher urged Conservatives to work to make 1978 a year of decision, "a year when the history books will say we not only cast out socialism, but put our people on the way to a freer and better life."

Mr Steel, the Liberal leader, said he is determined that the Liberal Party should continue to play a key role in assisting recovery and in pointing the way to a sounder and more prosperous future.

The Prime Minister said in his message that the Labour Government intended to carry on in 1978, when Britain's economic success would become even more obvious. "But in a situation as uncertain as this, the Labour Party in the country must be prepared for any eventuality."

Mr Callaghan said it should be possible to make more tax cuts, to improve some of the public services and to bring down inflation. "The result will be a real and noticeable improvement in the standard of life of our people."

This time the recovery must be lasting and permanent. The nation could not dodge the truth on incomes and let them rise unrestrained to create a race between higher prices, soaring interest rates and a falling pound. Wage settlements higher than productivity increases would lead to the inflation which the Government was insisting must not happen.

The Prime Minister said that the Government would aim at steady and sustainable economic expansion that would en-

I do not think we should discuss these issues on a question of race at all."

He said he would like to keep such a development out of all party politics in Britain, not simply those of the Labour Party. "If we start voting on racial lines here it would be a very unfortunate thing, and we should not encourage anybody either to think in that way or to do it."

Awareness of the power of the ethnic vote grew out of a report published in 1975 by the Community Relations Commission. The study disclosed that without the support of ethnic minorities Labour might not have won more seats than the Conservatives in February, 1974, or an overall majority in the last election.

In some areas ethnic minority groups participated more than white people in the 1974 election. The distribution of minorities in the marginal seats gave them an important opportunity to exercise influence.

Since then the Conservatives have been wooing the Asian vote. The formation of an Anglo-Asian Conservative Association has given impetus to a campaign to dispel any idea that Labour is more sympathetic to the immigrant communities.

Asians have not forgotten, however, the way the Government clamped down on the inflow of United Kingdom passport holders from Kenya in 1968 when Mr Callaghan was Home Secretary. Mr Mukherjee referred to it yesterday and accused Mr Callaghan of failing to come out strongly against the National Front, even though a Labour Party political broadcast did so recently.

Mr Callaghan said in the television interview that the Government would use all the processes of law to ensure that there was no racial discrimination, as far as it could. But basically it was a matter of public attitudes, and the Government had "give a lead of education, of understanding". The new Race Relations Act had come into force to outlaw racial discrimination.

The Prime Minister also promised to reduce the period of waiting for dependants who had a right to join their families in Britain. "We must make their position subject to as little hardship as we can," he said. But he explained that there was a well regulated system that must be followed, and staff had been increased in British posts in the subcontinent to shorten the queues.

Those benefits were at risk unless they were protected against crime, lawlessness and vandalism, and from attack by Britain's enemies. "We must be ready to pay the bill for upholding the law and defending Britain," the Conservative leader said.

In recent months Conservatives have welcomed "more and more refugees from socialism. Many were distinguished public figures, but there were also thousands of ordinary people who had thought Labour was the natural protector of their interests and found themselves

Mr Steel said 1978 must be a year in which sectional and party interests continued to be subordinated to the wider national interest. He said it would probably be the year of a general election. "It will be for the people of this country, not the politicians, to determine which spirit will prevail over the next few years."

Mr Emyllyn Hooson, QC, the Liberal Party's leader in Wales, called for the pact with the Government to be broken in the spring. There was a great danger, he said, that Liberals would receive little credit for making the Government "govern sensibly and moderately since March".



Mr Jones criticized for accepting 'bauble'

Mr Martin Flannery, Labour MP for Hillsborough, yesterday joined critics of Mr Jack Jones for accepting appointment as a Companion of Honour in the New Year Honours.

"Mr Jones has been criticised for accepting an honourable career by accepting this bauble," he said. "Presumably it is a reward for having helped the TUC to violate its mandate on free collective bargaining."

But Mr William Molloy,

Labour MP for Ealing, North, congratulated Mr Jones on the award.

He said: "It is part of the process of recognizing the contribution the trade union movement has made in the past few years and the devotion of an individual whose life has been spent improving Britain's industry and the conditions of the men and women who work in it."

Tribute to movement: Mr Jones said in Havana on Sunday that

the honour was a tribute to the trade union movement and its work for economic recovery.

"I am opposed to titles and opposed to the House of Lords," he said. He regarded the award as a "special decoration" which it was proper to accept. He said: "I hope the movement sees this decoration as a reward for its efforts."

Mr Jones spent Christmas and the new year holiday in Cuba as a guest of the Cuban trade unions. He is due to leave today.—Reuter.

Passers-by in Clapton Road, Hackney, London, will be able in coming months to watch a "Greek ruin" being

created amid trees and lawns in place of this sprawl of demolishers' detritus. The Bath stone portico and two colonnades of the former London Orphan Asylum, built in 1825, are to form the focus of a classical vista next to the John Howard Secondary School. The project is by the Greater London Council.

In brief

Chimber safe on Ben Nevis

Mr Melvin Robson, a climber from Ashington, Northumberland, was found safe on Ben Nevis yesterday after a search by police, civilian and RAF rescue teams.

Mr Robson, who had dislocated his shoulder, said that he had fallen and decided to spend the night in a hut on the mountain with other climbers.

Girl referee aged 12

A schoolboy football match between Coddington and Collingham, in the Newark Youth League, was refereed yesterday by a girl of 12, Cheryl Brader, of Balderton, Nottinghamshire, qualified by passing the county's referees' examination.

Anton Dolin returns

Anton Dolin, commander of the London Festival Ballet, who is 73, is to return to the company as guest artist, as Drosselmeyer, for three performances of *The Nutcracker* at the Festival Hall in London, on Thursday, Friday, and Monday.

Pheasant scarcity

Pheasants are so scarce at Sandringham that there was no shoot yesterday. Shooting is being restricted this year because of the small number of pheasants, which has resulted from a poor breeding season.

Woolworth's pay deal

Shop assistants at Woolworth's will be paid £2,000 a year from today if they vote for a new settlement negotiated by the company and the Union of Shop, Distributive and Allied Workers.

Complaints over PO 'justified'

Many complaints he received were justified, Sir William Barlow, chairman of the Post Office, said in a new year message to staff. He said: "The best maxim is a very old one, well known to people running retail businesses. 'The customer is always right'."

In the two months since his appointment it had become clear to him that only a small minority of people who grumbled were "professional complainers".

New Scots law has eased pressure on heavy drinkers

Throughout Scotland the old year died uproariously and the new year arrived on a litter of broken glass, sore heads and aspirin. It was the time when Scots demonstrate that when it comes to consuming alcohol the English come a poor second.

The point may be confirmed by police records, the most casual observation and the plaintive appeal by the firemaster of Strathclyde for at least one member of each Hogmanay party to remain sober for safety's sake.

Scotland ranks high in the European table of countries that suffer from chronic alcoholism. Indeed, the disapproval of the Church of Scotland, the most liberal of the three reformed churches in the country, is based more on psychiatric evidence than theology, since heavy drinking leaves much social misery in its wake.

An English notion of the church and public house in social affiliation, or of the vicar and members of his congregation enjoying a post-meal pint together, would raise eyebrows in Scotland.

Until recent licensing reforms, Scottish public houses closed an hour earlier than those in England, and Scots packed more drinking into a shorter time. Scottish public houses are generally thought of as viewless drinking dens with few trimmings.

The Clayton committee, which recommended the reforms in Scottish licensing law, was in a dilemma, since a liberal approach might improve conditions in the east but make matters worse in the industrial west and in the Western Isles.

Early indications suggest that allowing Scots the same drinking time as the rest of Britain has been wise. "It has taken the urgency out of

No date set for Dugdale wedding

No date has yet been set for the marriage of Bridget Rose Dugdale, who is in Limerick jail, serving nine years for her part in an £8m art robbery in 1974, to Eddie Gallagher, who is serving 20 years in Portlaoise jail for his part in the Herrema kidnap of 1975.

Mr Gerard Collins, the Minister for Justice in the Irish Republic, who gave permission to the couple to marry, is awaiting arrangements from their legal adviser.

Regional report

Ronald Faux

Glasgow

drinking here", another licensee told me.

Mr James Ross, president of the Scottish Licensed Trade Association, thought the traditional differences between public houses north and south of the border were narrowing rapidly. Landlords were obliged to smoothen their premises and think about providing a good atmosphere, food and entertainment. Really bad houses were disappearing.

Other licensees confirmed the movement away from the deadly alliance of the nip-and-half towards rather less potent orders. But some thought it would be another 50 years before Scots drank as sensibly as the rest of Britain, particularly in the Western Isles.

There the bothans (to use the Gaelic term) reign as the most rudimentary drinking establishments in the country. Lately they have received much publicity from the continuing wrangle between their frequenters and the Free Church and police. They are not strictly illegal unless money changes hands for drink.

When one of these small and cheerless establishments was raided, enough full and empty bottles were found to stock a city centre public house. The officers of the law solemnly announced to the court that "this was a place used for drinking".

HAVE A GREAT YEAR!

We'd like to extend every good wish
for the coming year to all our policy holders.
And the best of luck to everyone else.



**Guardian
Royal Exchange
Assurance**

Head Office: Royal Exchange, London EC3V 3LS

One of the world's great insurance companies.

WEST EUROPE

Basques call off rallies after royal decrees grant form of self-rule

From William Chislett

Basque politicians met in San Sebastián today to call off the massive demonstrations planned for Wednesday as a result of the Government's granting over the weekend of a limited form of autonomy to the Basque country.

Under two royal decrees, whose urgent application the legislative committee of the Cortes approved today, the three strictly Basque provinces of Guipuzcoa, Vizcaya, and Alava will come together in a general council of the Basque country.

Navarra, the province long associated with the Basque cause, where the ruling Centre Party is in control, will stay out for the time being. There will probably be a referendum to see whether the people of Navarra wish to join up with the other three.

The three strictly Basque provinces enjoyed autonomy during the Civil War after which the Franco regime suppressed all nationalist aspirations. The Basque country now joins Catalonia, with its Generalitat government, as an autonomous region.

In matters like public order and defence, however, Madrid remains in control. The central Government also has the right to disband the Basque council for security reasons.

The exact powers of the Basque council have yet to be detailed but are expected to be similar to those of the Generalitat on matters like education and agriculture.

Bilbao: The Basque Nationalist Party, in a statement, said the provisional autonomy measure was only a channel for the transfer of powers from Madrid to the Basques and the struggle was not yet over. "It represents an important step in the process of recovering our liberties", it added.

In an interview with a Basque newspaper, Señor Jesus Maria de Leizaola, president of the Basque government-in-exile, issued a call today to end bloodshed in the Basque country.

Speaking from Paris, he said: "The first objective, after the great news, is that Basques must suspend all forms of bloody struggle and allow the efforts of so many years to bear fruit."

There is concern here that the Basque separatist organization ETA may try to sabotage the agreement.

According to the newspaper *Hoya del Lunes*, Lieutenant Colonel Antonio Barriocanal Martínez, head of the Civil Guard in Bilbao, was dismissed for alleged negligence over the robbery of a consignment of explosives as it was being transported without escort to quarries in Vizcaya.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

Reuter and AP.

OVERSEAS

Smith insistence on safeguards in Rhodesia constitution claimed to be in blacks' interests

From Frederick Cleary, Salisbury, Jan 2

Black Rhodesians as well as white Rhodesians would benefit from the safeguards being sought at the national settlement conference, Mr Ian Smith, the Rhodesian Prime Minister, said in his annual new year radio and television broadcast.

There had been much speculation and talk of a blocking mechanism. In some ways this was unfortunate terminology which he contended the idea that he was seeking a means which would enable him to block the wishes and actions of a future government. There was no substance in such thinking.

"What we are seeking are safeguards which will ensure a future government will not be able to abuse its power by resorting to actions which are dishonouring and immoral."

These are things which are every bit as much in the interest of the black people as the whites. For example, a just Bill of rights to protect the rights and freedom of individuals and independent courts free from outside interference and influence are just as important and desirable to

blacks as they are to whites. These provisions will protect all people, irrespective of race, colour or creed."

In too many countries in Africa people were dying from starvation, preventable diseases and government organized murder squads which acknowledged no barrier of race or colour.

The need to maintain the standards and impartiality of the forces of law and order could not be over-emphasized. It was to protect all of these vital essentials that he was insisting on certain constitutional safeguards.

Mr Smith said the settlement talks he was having with the three black groups were proceeding well and significant progress had been made.

He asked the nation for patience as inculcating benefits would flow from a just and correct settlement.

The economy was not in a good shape, he said. Sanctions, the civil war and the failure of the international economy had contributed to this position. The coming year would be another of stresses and strain.

Bishop Abel Muzorewa, the

leader of the United African National Council, said in his new year message that a future Zimbabwe would be no place for racists, either black or white. It was pragmatic, he said, for whites, Asians and Coloureds to adopt non-racism because Zimbabwe would be a non-racial state.

He wanted whites to stay in the country after independence so that side by side all races could build a greater country second to none in Africa. He exhorted whites who feared majority rule to stay "and try our sincerity".

The Rev Ndabandinge Sithole made a surprise New Year's Eve visit to Blantyre in Malawi from where he called party business. In an interview he said that if everyone was honest political settlement was not far off. He did not feel that the prevailing problems were insoluble.

The year ended with a spate of deaths in the guerrilla war. A total of 1,759 guerrillas and 197 members of the security forces were reported to have died inside Rhodesia in 1977. During the same period 1,055 black civilians and 56 white civilians also died.

In brief

Kidnapped boy freed unhurt

Athens, Jan 2.—A manhunt is going on in Greece for three men who kidnapped the child of a Lebanese businessman, demanded a \$1m (£526,000) ransom, but then released him unhurt apparently without payment.

The boy, Mounah Zein, aged eight, was playing near his home outside Athens when he was seized. His father begged the kidnappers to free the child, saying he could not afford such a sum.

Funeral massacre

Rangoon, Jan 2.—A funeral ended in a massacre in the small Burmese town of Comung when a group of Communist rebels turned the guns on a party of mourners, killing six people and seriously wounding 10, the newspaper *Myanmar Ahlin* said today.

Three die in fight

Windhoek, Jan 2.—Three people were killed and eight wounded in fighting which erupted after an argument among black miners at Tsumeb in northern Namibia (South-West Africa), police reported today.

Artist's journey

Moscow, Jan 2.—Oskar Rabin, the Soviet artist, will leave tomorrow for at least six months in France, West Germany and other Western countries, friends said here.

Kennedy visit

Peking, Jan 2.—Senator Edward Kennedy, making his first trip to China, today visited the Great Wall of China, the Ming tombs and the Summer Palace in Peking.

Family tradition

Boston, Jan 2.—Mr William Taylor, aged 45, has become publisher of the *Boston Globe*, succeeding his father and becoming the fourth generation of his family to run the newspaper.

Amnesty in Mali

Bamako, Mali, Jan 2.—President Moussa Traore announced that his Government has decided to free all political prisoners in this West African country.

Cardinal's plea

Buenos Aires, Jan 2.—Cardinal Ruffini, Archbishop of Buenos Aires, appealed to the Argentine Government to issue exact details about the many people arrested or kidnapped for political reasons.

Quebec minister cool to Trudeau warning

From John Best, Ottawa, Jan 2

Mr Trudeau, the Prime Minister, has told Quebec's separatist Government that he will use force if necessary to prevent an "illegal" secession of the province from Canada.

The warning drew a cool response from Mr Claude Morin, Quebec Intergovernmental Affairs Minister. He said: "The Quebec people have the democratic right to self-determination despite what Mr Trudeau says."

The Prime Minister, in a national television interview last night, said he was "not going to shy about using the sword if something illegal is attempted" in Quebec.

"If it is done illegally by breaking the law of the constitution or of the land, obviously we will have to take the kind of action we took in 1970 when the law was broken."

In 1970, Mr Trudeau invoked the War Measures Act and sent troops into Montreal to deal with "an apprehended insurrection" after two kidnappings

by the Front de Liberation du Quebec. One of those kidnapped, Pierre Laporte, was murdered. The other, Mr James Cross, the British Trade Commissioner, was eventually freed unhurt.

The Prime Minister said last night that there was no "real, legal way for a province to separate from Canada. There could be any unilateral declaration of independence."

But if Quebecers decided by an overwhelming majority that they no longer wished to be part of Canada, he would not try to make them change their minds by force of law. "Somebody will have to sit down and negotiate with them and it won't be me."

He accused the separatists of "fudging" on holding a promised referendum to determine Quebec's political future. Uncertain whether they could win the vote, they now were talking of postponing it by as long as four years.

"They have been put on the defensive, whereas a year ago they had the momentum."

Junta appeal to Chilean patriotism

From Florencia Varas, Santiago, Jan 2

Chilean voters tomorrow on whether they agree with the policies of the military junta during the past four years or with the United Nations resolution condemning Chile for systematic violation of human rights.

Government propaganda on radio and television has been intense, asking Chileans to vote for Chile and characterizing a "no" vote as unpatriotic. If they "yes" vote, placed under a Chilean flag on the ballot, they are good patriots.

Chile's bishops, in a document signed by Cardinal Raul Silva Henríquez, have asked the Government to call off or postpone the poll stating that "the image of Chile abroad and the prestige of the military junta make it necessary either to cancel or postpone

the poll until conditions exist more favourable to its moral validity."

They added: "The Government's persistent unilateral propaganda is a form of psychological pressure on consciences and warps the value and purpose of the poll."

The bishops said the poll was confusing because it included several questions and that the results in any case would be difficult to judge because the state of emergency in the country prevented freedom of information and expression on the issues.

The question to which Chileans must answer yes or no is as follows: "Facing the international aggression launched against our country's Government, I grant my support to President Pinochet, his defence of the dignity of Chile and I reaffirm the legitimacy

of the Government of the Republic to sovereignly lead the process of institutionalization which the country is undergoing."

A Gallup poll gives the Government a 70 per cent favourable vote.

The Christian Democratic Party has issued a declaration of exact details about the many people arrested or kidnapped for political reasons.

President Pinochet would then be in a better position to respond to criticisms from the American State Department and to improve relations with Argentina and Bolivia, the Christian Democrats said.

A favourable vote would also allow him to manage without any legal hindrance his party's rule, "as he has been doing more and more."

Family reunion for American freed by Cuba

Toronto, Jan 2.—Mr Frank Emnick, the American freed from a Cuban prison on Saturday after serving 14 years on spying charges, has arrived here to see his children and former wife before returning to his home town in Havana by United States Congressmen.

Cuban authorities promised several weeks ago to release Mr Emnick, who suffers from serious heart trouble.

Yesterday, President Castro told 10 visiting Congressmen that Mr Emnick, aged 63, was freed.—Reuter.

Olga Korbut to wed

Moscow, Jan 2.—Olga Korbut, the Soviet gymnast, is to marry Leonid Borkovich, a pop star, Tass has announced. Last week, her team mate, Nelly Kim, married Vladimir Acharov, a fellow gymnast.

More boat people

Darwin, Jan 2.—A fishing boat carrying 38 Vietnamese refugees arrived here yesterday. It was the first to land since November.

Cuts opposed as BBC marks birthday of Arabic service

By Kenneth Gosling

The BBC's first venture into foreign language programming, the Arabic service, celebrates its fortieth birthday today.

Its first 25-minute-a-day broadcasts, originally a riposte against anti-British propaganda sent out by the Axis powers from Bari in Italy, have grown to nine hours a day, seven days a week. It is more than the Voice of America or Peking radio, but less than Moscow radio and Cairo's Voice of the Arabs.

The service spans the entire Arab world of 150 million people in 20 countries stretching 5,000 miles from the Atlantic to the Indian Ocean. Its modern brand of radio Arabic regarded by Arab speakers as the authoritative "style book" of the air. Different regional accents and habits of speech among the programme staff of 50 add a distinctive flavour to the service.

Surveys have shown massive daily listening to the BBC—22 per cent of Kuwait's population, 40 per cent of Lebanon's. In Saudi Arabia, a third of the 500,000 adults in the cities of Dammam and Jiddah are regular listeners.

Although the television age is here, there are still only 4,500,000 sets in the Arab world compared with 21,500,000 radios.

Economies in the 39-language BBC External Service resulted in the daily broadcasts losing an hour in 1976: the report of the "Think Tank" last August recommended halving the programme but maintaining the validity of granting discretionary power to the professionals and allow them to operate the Act with few external checks or controls. Certainly the Act is formulated in such a way as to provide mental illness are not defined, and while any application for compulsory admission must state that the patient is "suffering from mental disorder of a nature which warrants the detention of a patient in a hospital..." and that he ought to be detained in the interests of his own health or safety or with a view to the protection of other persons, no definitions are provided of "health or safety" nor the "protection of others."

Consider also the requirements of the three main sections of the Act dealing with compulsory admissions. Under Section 29, emergency order, which lasts for 72 hours, only one medical recommendation is required, which may be from any doctor, together with an opinion made by a relative or social worker. The Scottish equivalent lasts for seven days and requires only one doctor. Sixty per cent of all compulsory admissions are made under this section, which means that there are 13,000 patients per year admitted under Section 29. For Section 25, the 28-day order, two medical recommendations are required, together with an application made by a nearest relative or a social worker. For Section 26, the one-year treatment order, the legal position is more complicated but in general terms the requirements are similar to those for Section 25.

Under all three sections of the Act there is no right of appeal prior to admission, although a patient can apply to a mental health review tribunal if admitted under Section 26. The key question now is some of the criticisms of the Act well founded or put another way, are those professionals who operate the Act abiding

A hymn of praise to New York

From Michael Leapman, New York, Jan 2

Mr Edward Koch, the new Mayor of New York, set a humble pattern for his inauguration yesterday by travelling to his city hall inauguration on a No 6 bus. He explained that he would have gone by underground train, but he was frightened of being stuck in a tunnel and arriving late.

Today, however, he risked the underground and arrived before 9 am for his first full working day.

The new mayor is to keep his modest bachelor flat in Greenwich Village, although he will live for most of the time in the Grace Mansion, the elegant house on the Upper East Side which goes with the job. For the inauguration, he wore a blue pin-stripe suit, the first he has ever had made to measure.

If the trappings of the ceremony were deliberately un-showy, Mr Koch's speech bordered on the grandiose. It amounted to a hymn of praise to New York and a powerful appeal to its residents to restore the city's greatness.

"I do not exaggerate," he declared, "when I say that New York is unique in the history of human kindness. New York is not a problem. New York is a stroke of genius."

From its earliest days, this city has been a lifeboat for the homeless, a harbor for the hungry, a living library for the intellectually starved, a refuge not only for the oppressed but also for the creative.

"New York is and has been the most open city in the world and that is why, in large part, it faces monumental problems today."

Mr Koch called for personal effort, sacrifice and commitment from all New Yorkers. He said, "We are not the whole solution to the city's problems."

"If an ideal city could have been bought with money, we would have purchased and paid for it long ago," he added. "If a safe, prosperous city could have been acquired with dollars, we would have it today."

"These have been hard times. We have been tested by fire. We have been drawn across the knife-edge of poverty. We have been troubled by problems. We have been shaken by troubles that would have destroyed any other city."

"But we are not any other city. We are the city of New York and New York in adversity towers above any other city in the world."

Mr Koch called for personal effort, sacrifice and commitment from all New Yorkers. He said, "We are not the whole solution to the city's problems."

"If an ideal city could have been bought with money, we would have purchased and paid for it long ago," he added. "If a safe, prosperous city could have been acquired with dollars, we would have it today."

"These have been hard times. We have been tested by fire. We have been drawn across the knife-edge of poverty. We have been troubled by problems. We have been shaken by troubles that would have destroyed any other city."

"But we are not any other city. We are the city of New York and New York in adversity towers above any other city in the world."



Touch
your partner, move as one.

LEARN TO DANCE
SPECIAL FREE

A dance lesson with your own teacher PLUS an opportunity to attend a special introductory programme (offer limited to new adult students only)

Tel: Kensington 581 0382
Stam. (W.2) 230 0521
Mon. (061) 2731628
Stam. (021) 2360584

Arthur Murray
Dance Studios

New Emir holds to old policies

Kuwait, Jan 2.—The new Emir of Kuwait, Shaikh Jabir al-Ahmad al-Sabah, today pledged that he would follow the domestic and foreign policies of his predecessor, Shaikh Sabah al-Sabah, who died of a heart attack on Saturday.

A Kuwait newspaper said today that a new Cabinet was likely to be formed in the next two weeks after a new Prime Minister had been named.—Reuter.

RAF squadron in Malta goes

Valletta, Jan 2.—The disbandment of No 203 Squadron Royal Air Force, which since 1969 has monitored Soviet naval movements in the Mediterranean, was marked by a parade on New Year's Eve. The squadron was based at Luqa.

Malta's seven-year agreement with Nato runs out next year and Mr Mintoff, the Prime Minister, has said his country will pursue a policy of neutrality when the last British troops leave.—Reuter.

Social Focus

Why a new look at our cities is long overdue



Recent months have seen the development of considerable interest in the problems of the inner city and, inevitably, every report on the subject makes a plea for a massive redistribution of resources. The problem is, at last, being realised by the Government and over the last year increasing amounts of money have been directed towards the inner city. For example, London benefited by approximately £2.25m from the urban aid programme in the year 1975/76; the Department of the Environment has just announced plans to spend £50m through the "partnership" schemes in the inner London boroughs; and more is likely to be made available for dockland regeneration.

Money by itself may, however, do little to alleviate the problems, since the amounts that have recently been made available are still small in relation to the sums already being spent in our cities. Over the last ten years approximately £3,585m has gone on local authority home building in London alone and, in some cases, to judge from results on a few of the more notorious council estates, all that has happened is that one type of problem has been exchanged for another. The time has come to take a much more critical look at the situation in order that the limited finance which does become available is spent to the best advantage.

What is the nature of the problem? It is certainly more than just a shortage of the right sort of housing and a loss of manufacturing jobs, although these are unquestionably contributory factors. During the nineteenth century there was an explosive increase in London's population. In just one hundred years, between 1800 and 1900, the population of the area which is now designated inner London increased fourfold from around 950,000 to around 4,533,000 and, inevitably, given the social conditions of the times, this led to the creation of vast teeming slums which tended to be concentrated to the east and south of the city. Those who now compromise the London boroughs of Tower Hamlets, Southwark and Lambeth.

It is only recently that the full implications of an equally dramatic population decline are being realised. From a peak of around 4,533,000 at the turn of the century the population had dropped to 2,772,000 in 1971 and it is estimated that by 1981 there may well be only some 2,300,000 people left in inner London.

Demographic changes of this magnitude are likely to lead to social stress and in inner London the problem is being aggravated by the very uneven pattern of population loss. For instance, between 1966 and 1971 the area which includes Tower Hamlets, Southwark and Lambeth lost 10 per cent of its population, but over the same period the percentage loss from the 25-45 age group was twice as great. Since proportionately more of the younger wage earners are leaving, the increasing percentage of the elderly will be dependent on the shrinking numbers of the economically active within the area. This augurs ill, both for local finance and for the future demands on the social services.

In the three boroughs mentioned above, which are frequently instanced as extreme examples of urban deprivation, over 49 per cent of households are on social housing tenure and only 12 per cent in owner-occupation. The devastation in the neighbourhood of the docks as a result of enemy action during the last war gave a tremendous impetus to the then very young process of slum clearance and council building which had been started earlier in the century.

Unfortunately, the policy of council building and urban municipalization, which still continues largely unabated,

is only exacerbating some of the undesirable features of population loss. It has certainly produced an unbalanced society with unwelcome polarization between council tenure on the one hand and the predominantly professional class of owner-occupiers on the other. This has resulted in a marked shortage of men and women working in the less highly-paid service professions and industries, and it is just these people who have housing aspirations which are not necessarily going to be satisfied by a council flat, even should one be available. They can rarely afford to buy their own house at inner London prices and rent-control has resulted in the disappearance of much privately-rented accommodation. Some may well take jobs within the area and commute each day, but it is questionable whether this way of life is ideal. Quite apart from the congestion on the roads and the way which this causes, there is much in favour of encouraging people to put down roots in the vicinity of their work.

Current experience both in this country and abroad has shown that the idea that one has only to rehouse people in smart new council flats for a whole range of social problems to mysteriously disappear is proving a sad illusion. Housing policy cannot be treated in isolation. It interacts with other facets of life and an unwise policy can result in a host of related problems. For instance, many parents are concerned about the quality of the education which is available and are hesitant about moving into certain areas and a further twist is given to the downward spiral. Another perhaps less obvious example is the lack of foster homes for children in care. Council accommodation is so much more closely geared to "housing need" that it is not unknown for those council tenants who are willing to foster a child not to have the necessary

spare room. Thus an unnecessarily high proportion of children in the area have to remain institutionalized.

To say all this is to say that a new approach to the admittedly intransigent problems of inner city housing is long overdue. The borough councils must give serious consideration to the development of more imaginative and flexible policies with which to augment the present traditional approach; policies which will lead to a more varied social mix within the area. The borough councils should first and foremost release some of their land banks for private development of the type likely to appeal to those who now, perforce, seek accommodation outside London. Next they should use their resources to prepare derelict sites for building, as indeed is now being done by the GLC. The councils should be building houses and flats for sale, linked, perhaps, to local authority mortgage schemes which would favour occupations which are needed in the area. Finally, the existing trend away from demolition and rebuilding towards rehabilitation of existing housing should be encouraged.

This type of action which would attract the middle classes back to the inner city may seem politically unacceptable to the boroughs concerned, but present policies are paradoxical, enhancing the very social inequalities which it was hoped they would combat.

The results of today's decisions will be with us for many decades to come and, as seems possible, present policies are merely substituting one type of urban deprivation for another, then it is the community as a whole which, unfortunately, will have to pay for the consequences.

David Smith

The author is a member of the Greater London Council for Lambeth-Norwood.

Are the mental health guardians abusing their powers?

Mr David Ennals has recently stated that the Government intends to produce a White Paper aimed at reforming the 1959 Mental Health Act. That white paper would be directed at Part IV of the Act, which is concerned with compulsory admission. The White Paper has been prompted by earlier disclosures about abuses in the detention procedure. Mr Ennals said the reform would authorize the professional concerned—the doctors and social workers under defined circumstances but no details have yet been provided. This new White Paper will presumably be an extension of earlier proposals contained in the DHSS consultation document *A review of the Mental Health Act 1959*.

The 1959 Act has come under severe criticism. Some critics believe the Act places too much emphasis on treatment, rather than on legal rights and legal protection. Others are beginning to question the validity of granting discretionary power to the professionals and allow them to operate the Act with few external checks or controls. Certainly the Act is formulated in such a way as to provide mental illness are not defined, and while any application for compulsory admission must state that the patient is "suffering from mental disorder of a nature which warrants the detention of a patient in a hospital..." and that he ought to be detained in the interests of his own health or safety or with a view to the protection of other persons, no definitions are provided of "health or safety" nor the "protection of others."

Consider also the requirements of the three main sections of the Act dealing with compulsory admissions. Under Section 29, emergency order, which lasts for 72 hours, only one medical recommendation is required, which may be from any doctor, together with an opinion made by a relative or social worker. The Scottish equivalent lasts for seven days and requires only one doctor. Sixty per cent of all compulsory admissions are made under this section, which means that there are 13,000 patients per year admitted under Section 29. For Section 25, the 28-day order, two medical recommendations are required, together with an application made by a nearest relative or a social worker. For Section 26, the one-year treatment order, the legal position is more complicated but in general terms the requirements are similar to those for Section 25.

Under all three sections of the Act there is no right of appeal prior to admission, although a patient can apply to a mental health review tribunal if admitted under Section 26. The key question now is some of the criticisms of the Act well founded or put another way, are those professionals who operate the Act abiding

by the rules? My own research, completed in 1977, was designed to answer this question. The results showed serious defects in the way the Act was being operated, and showed that existing safeguards were largely inadequate.

In this research I attended 325 emergency psychiatric interviews conducted by a group of consultant psychiatrists and observed the way in which they, and others, such as GPs and social workers, operated the Act. Of these 325 interviews, 200 led to an admission, with 58 of the 200 leading to a compulsory admission. As would be expected, the consultant psychiatrist operated the Act with the greatest attention to the legal rules. They knew the Act in detail and made decisions accordingly.

Even so, they were not entirely blameless for on over 50 per cent of the occasions they admitted patients under the 72 hour emergency order when they should, according to the Act, have admitted under Section 25. In a further five out of the 58 compulsory admissions, patients were admitted against the specific wishes of the patient and his nearest relative—mainly where the consultants had not interviewed the patient within the specific time period. However, it was the GPs and social workers who could be most severely criticized. The intention behind the Act was to introduce a second medical recommendation to operate as a corrective against any over-zealousness whilst the application by social workers to the nearest relative was intended as a further check. (In practice the social workers completed the applications.)

Rarely did such correctives appear to operate. In far too many instances the GPs knew little of the Act, knew little of mental illness, and sometimes completed the second medical recommendation in a most perfunctory manner. Two instances they did so without seeing the patient at all, and in four others did so after the briefest of interviews. When asked to give reasons for their decision, two GPs said they made the medical recommendation on the advice of the psychiatrist and four others said they did not know why they had made the recommendation. Not all GPs were like this but only a few could be regarded as competent in these matters.

Social workers fared badly too. Again, and with some notable exceptions, most knew little of the Act; some had to be advised by the psychiatrists on how to complete the application, two appeared at the interviews with the wrong documents, so that the patient had to be admitted on a different section than was intended. Contrary to the spirit of the Act only one social worker bothered to advise the nearest legal relatives that they had certain legal rights.

When all the errors are added together

a staggering figure of 31 out of 58, or 53.4 per cent of patients in this study were compulsorily admitted against the rules or spirit of the Act, and most came from the defective practices of GPs or social workers.

It is recognized that these findings have extremely serious implications for patients as well as for GPs and social workers and of course these results must be seen as being specific to one area of Britain at one particular time and for one group of professionals. However, in the absence of other research findings, these results appear perhaps to be seen as a warning against superficial changes, which simply tighten up the definitions of key terms but do little else.

GPs and social workers can only be a useful safeguard to the liberties of the individual if they possess sufficient knowledge and expertise to assess the situation properly. In the absence of this elementary ability their presence may satisfy the public conscience, but achieve little else. And yet to implement this basic reform may prove illusory. The rapid turnover of staff in the social services, together with the social workers often stated dislike of compulsory psychiatry, may render most training programmes ineffective. Similarly GPs may be asked to complete a medical recommendation say, once or twice a year, and would therefore, inevitably, lean heavily on their psychiatric colleagues for advice, more so when that psychiatric colleague is a consultant.

GPs, therefore, are placed in an unenviable position for in all branches of medicine they expect to defer to consultants, but in compulsory psychiatry are somehow expected to act independently. That they find this difficult to do is not surprising, but the effect is that medical recommendations in this research were therefore made by unequal partners where the opinions of one were likely to dominate.

The results of this study lead me to suggest that the thinking behind the Act, permits, and sometimes encourages, a poor level of psychiatric practice as far as applying the rules of the Act are concerned. It does so because it makes few demands to be competent and knowledgeable about the Act, and it provides few external checks or controls. The Act needs to be restructured if these defects are to be removed. One way would be to provide the patient with more legal rights, such as the right of appeal prior to admission, and that appeal must be to an independent tribunal or perhaps even a court. This would mean resurrecting the machinery of the 1890 Lunacy Act, but without an independent hearing I fear the abuses will continue.

Philip Bean

The author is lecturer in applied social science at the University of Nottingham.

[illegible]

The Earl of Cromer argues for the freedom to use Britain's new wealth to the full

Making the most of North Sea oil's golden opportunity

Now we have the chance to
abolish exchange control
and reap the benefits
enjoyed by our German
and American competitors

This coming year it seems likely that a new national pastime may well be attempting to work out how best to make use of the vast wealth that private enterprise, at great risk and with amazing technological skills, is bringing into the nation's grasp from the North Sea. A tempting thought, indeed, that the nation should be able to do more than merely pay lip-service to our duty to posterity. We must not squander this in consumption as so much of our heritage is now forlornly squandered, as individuals are now under CIT compelled to dispose of their assets for the state to spend the proceeds.

The first requirement that common sense dictates is sufficient reward to the entrepreneur to stimulate further discoveries and development of energy for when the present wells run dry in the not too distant future. World history gives ample record that the state and state-owned oil companies perform miserably in comparison to free enterprise, so that if further progress of our country is to be sought the rate of this will be in inverse ratio to the degree of state intervention. It is unlikely in the extreme that we would today have North Sea oil and gas if it had been left to a BNOC to seek and exploit it.

But beyond this what? What is the best employment for the considerable additional wealth created? There cannot be many who would dispute an order of priority such as (1) Defence, (2) Meeting our international obligations as pledged by Parliament, (3) Investment, (4) Reduction of enterprise inhibiting taxation and additional consumption at home and foreign aid. Each of these is fraught with political overtones and some with fallacious mythology. Defence surely presents the least difficulty as a matter of principle. It is the age old prime

responsibility of any government, if the nation's very independence is not one day to be brutally questioned, to maintain adequate defence of the realm against external aggression. The dangers and threats today are no less than they have been throughout the centuries. As the Tocqueville has said: "There is no more deplorable spectacle than that of a people neither able to defend nor to maintain its independence". And yet under the pretence of self-created financial distress our defences have been cut to a degree highly alarming to those best equipped to judge and to a degree causing deep anxiety to our allies who recognize the same threats and who look to us to meet our share of joint responsibility. No ally now exists for an inadequate defence establishment, for we are not adequately paid defence services. Indeed in this highly technological age the stimulus of military science for defence is complementary to the progress of development in industry in its fall-out of inventiveness, as the Americans have long been aware and widely exploited.

Accepting that collective security is in our age the only conceivable viable defence against aggression Parliament has consistently pledged our commitment to NATO. It is now our turn to shoulder fully our share of the burden, as thanks to North Sea oil we are now in a much better position to do than any of our NATO allies who have long held the fort through our parities of weakness and who do not now benefit as we do in this God given windfall. It is once again within Britain's power by leadership backed on performance to instil into NATO the spirit of life to the flagging resolve to which we have over the last decade or so contributed so excessively.

But we have other pledged obligations, only in kind if not in degree, as morally binding those of mutual defence; to repay our debts as they fall due and to fulfil our obligations in full under our accession to the Treaty of Rome so overwhelmingly endorsed by national referendum. The repayment of debt should

present little problem. Prudence would point to repayment of short term debts as soon as possible; but early prepayment of medium or long term debt may be left to pragmatic judgment in the light of prevailing interest rates and in accordance with the terms and conditions under which the loans were made to us in our time of dire need. Almost certainly the most important derogation from our obligations to the EEC which can no longer possibly be justified, and consequently should be abolished without delay, is continuing restriction of movement of capital within the European Community, but first the spurious notion that this conflicts with investment at home has to be dismissed.

Investment, like virtue, is something that everyone believes in but, again like virtue, can be as elusive in attainment. Of course, we want to see British industry modernized and revitalized. How else are we to see the jobs necessary to achieve a decent level of employment? How else are we to hold our own and develop our national genius in inventiveness and technological advance? More investment? Of course, yes; but where and why? It was the Government's level of borrowing that drove interest rates far above the real return on capital of manufacturing industry on the one hand, and it was trade union recalcitrance that frustrated increases in productivity on the other hand.

The lack of investment in British industry is very real and the very stuff of politics and outside the purview of this article. What is clear, however, is that this lack of investment is not due either to lack of money nor of efficient mechanism in Britain for the mobilization of funds for domestic industrial investment. This flat-earth mythology of lack of investment funds of some politically left-orientated economists, and seemingly currently latched on to even by the TUC as an alibi for the deplorable productivity of many sectors of British industry, has no validity in fact

or figure. If proof were needed of this fallacy, surely the Conservative Government of 1970-74 which printed money beyond all reason provided it. The Wilson Committee in the most recent of many inquiries over the years to have this great socialist myth exploded before it and, to its credit for objectivity, to say so in so many words. No doubt the final report will disclose that much of British industry is either frustrated today, though either possessed of ample funds for investment or capable of easily obtaining the funds, by inability in the existing political social regime in Britain to employ these funds at a greater profit in industry than can be obtained by merely lending them to the Government. No amount of restriction on investment overseas is going to force people to invest in British industry so long as they judge the prospect of profit unpromising. "You can lead a horse to the water but you can't force it to drink."

Such facts as are available would point to free foreign investment actually stimulating investment at home in direct contradiction of the opposing myth. In 1972 an interesting survey was carried out in the USA by a group called the Emergency Committee for American Trade to assess the effects on domestic industry of American Trade overseas investment. Data was collected from 74 American multinational corporations and this contradicted wholly the contention that overseas investment was at the expense of domestic industrial investment or at the expense of jobs at home. In fact

the exact contrary is the case. Between 1960 and 1970 the book value of the United States direct investments in manufacturing affiliates abroad increased from \$11,152m to \$32,231m or an average annual growth rate of 11.1 per cent. During this period the 74 companies comprising the survey who were investing abroad in line with this general pattern: (1) Increased the number of their domestic employees in the United States by nearly 900,000 from 2,452,000 to 3,348,000—an increase of 36.5 per cent—or 3.3 per cent per year as against the average of 1.4 per cent for United States manufacturing firms as a whole. (2) Increased the book value of their fixed assets at home in United States manufacturing from \$15,300m to \$34,100m—a gain of \$18,800m or 123.8 per cent as against 68.9 per cent for all United States manufacturing.

Increased their sales from United States domestic factories from \$58,000m to \$113,000m—an increase of 94.8 per cent. (3) Increased their exports from the United States to the rest of the world from \$4,300m to \$12,200m—an increase of 183.7 per cent. (4) Increased their net surplus of exports over imports from \$3,200m to \$6,600m—an increase of 106.25 per cent. (5) Increased the balance of payments inflow attributable to their foreign investments (dividends, earnings, interest, royalties and fees) from \$500m to \$2,400m—an increase of 340 per cent. These same conclusions were fully borne out by the report

by the United States Tariff Commission to the United States Senate Committee on Finance in 1973. We have no comparable figures for the United Kingdom, but it is none the less interesting to note that whereas British companies between 1960 and 1970 totalled \$3,554m, total domestic investment by the same companies amounted to \$2,927m in the same period. Sir David Orr's recent statement that more than half of Unilever's exports this year are the result of investment abroad would point to the British experience being similar to the American is likewise highly noteworthy.

The level of our official reserves of gold and foreign exchange through the post-war change (except in the early 1960s when the opportunity was thrown away) has hindered the abolition of Exchange Control and the advantages that ensue from a free currency. The Bank of England has done its best to mitigate the distortions in applying as much flexibility as permitted but the stupidities, inconveniences and distortions still remain. It is perhaps natural that we in England after so many years of disappointment and the false dawns have not yet realized to the extent that those abroad have comprehended the absolute necessity of change in our balance of payments position that North Sea oil ineluctably produces. This is a real sea change, or can be, if only it is given a chance. For the next decade and more, with more funds legitimately seeking expatriate placement than previously in history largely due to the evolution of Opec, the weight of funds seeking sterling employment, and more funds being pinned by North Sea oil is likely to be very great. This inflow of funds, which socialist King Canutes will be unable to stem by edict, on top of our own earnings (traditional plus North Sea), is likely to make for a really strong pound. The published figures are beginning to show the trend. Lord Kaldor, another opponent of exchange freedom, does however this time in his criticism of the pound, in his contention that an excessively strong pound could in-

deed exacerbate our domestic industrial problems, with the exception that we should be able to maintain consistently lower interest rates; abolition of exchange control will help to motivate this problem.

It is against this scenario that the whole generation that has grown up in this country to regard exchange control as a normal state of affairs has to be reeducated into recognizing, as it is recognized in most free countries and was universally recognized in this country until 1939, that exchange control is a gross infringement of personal freedom and a foolish impediment to the creation of wealth. Reference has been made above to the extraordinary and fallacious mythology that socialism has built up on this subject, wholly unsubstantiated by credible evidence based on the contention that in the British context overseas investment deprives British domestic investment.

It is thus perhaps not surprising that Lord Balogh, one of the more profuse proponents of the great socialist myth against overseas investment and in favour of exchange control, after expounding on his views recently in the correspondence columns of *The Times* on November 24 and December 1, should have had to fall back in his concluding paragraph on no reasoned justification for continuance of exchange control but to the statement that "Britain experienced economic progress comparable to that of other countries only in periods of protection (safeguarding and McKenna duties, Ottawa). The lesson is there to be learnt". Could it be that the argument against overseas investment and the need for exchange control was so feeble that recourse had to be made to a wholly different argument, not that of exchange control and restriction on overseas investment at all, but a wholly different argument in favour of protectionism and quota restrictions. It was in just such an artificial atmosphere of protectionism that history would indicate British industry lost so much of its competitive edge and has long been internationally condemned. It was, of course, in the period of free trade and absence of

exchange control of the 19th century that British industry grew from infancy to maturity, and dominated the world. The lesson that has indeed been learnt is the converse to that Lord Balogh's; it is that incredible growth achieved world trade in the post-war by the success in eliminating tariff and quota protective restrictions under the aegis of International Monetary Fund and the Gatt. Now we have the long awaited opportunity to abolish exchange control, additional benefits to be achieved by this as enjoyed by our German and American competitors, among many others.

As regards our obligation to the EEC in this respect, it is clear and it is no excess of laudisiness to suggest that no longer be blatantly specious excuses not adhering to our plight undertakings. The minor changes and relaxations announced below October 1st are welcome as first steps in the right direction. None the less it still leaves the British investor paying a premium to participate in the EEC, as other continuing distortions putting the United Kingdom at a disadvantage. The European Community, if it is to meet anything in the world dominated by superpowers, needs a European Community capital market and it is essential to sue a market that Britain forms an integral part. Such a market is absolutely fundamental to provide part of the economic basis of our mutual defence through NATO.

Only when the first priorities have been thrashed out policy action will it be time to measure what resources remain to argue over the distribution for reduction of taxation, for consumption at home and for aid overseas. Generation given the unique opportunity that ours is, it must needs exercise a special wisdom. © Times Newspapers Ltd, 1977. Lord Cromer has held many public appointments including his period as Governor of the Bank of England from 1961 to 1966, and British Ambassador to Washington, 1971-74.



Lenin, Stalin, Khrushchev, Brezhnev: who will be the next "Tsar"?

If I were supreme ruler of all the Russias

I am one of those numerous people who are always glad to tell the Soviet Government what to do. But what would I do, if I were supreme ruler of all the Russias? Indeed, what can be done?

To dismantle the existing system at a stroke would produce anarchy with results that might be worse than those of Nicholas II's abdication. Moreover one cannot ask anyone to put a halter round his own neck or, indeed, to hand power to anyone else without a compelling reason. The present generation of top rulers first made their way in the terror of 40 years ago, and they cannot have escaped participation in those terrible events. So they cannot allow the full truth about Stalin's rule to be published. But in the nature of things they will soon be replaced by younger men. Among these there is likely to be one who is supreme, as Lenin, Stalin, Khrushchev and Brezhnev have been. It is not unfair to call them Tsars. And before long one of their successors will be a reforming Tsar. The Soviet system does work, but so creakily that the case for reform is overwhelming.

So what would I do if I had the power to do it? First of all I should introduce reforms in agriculture by which a peasant family could acquire an indefeasible right to farm an adequate holding for fifteen years. They would be told that they would be eligible for a renewal of their grant at the end of fifteen years, if they showed themselves to be efficient farmers and that if for any reason the grant was resumed, they would be paid the full value of any improvements that they had made.

I would not expect these promises to be believed at first, but I would give peasants who availed themselves of the offer of land a free hand in how they cultivated their land and marketed its produce. I would expect the offer of land to be irresistible and that success to be contagious, so that before too long the food supply of the towns would be greatly improved. And the tendency to flee from the land whenever possible, which has been a mark of the collective farm system, would be reduced to reasonable

proportions, as in other industrialized countries. As this happened, I would abolish the restrictions which make it difficult for peasants to leave the land.

I would not touch the state ownership of big business but I would try to decentralize its administration. And I would encourage artisans and small traders on a large scale. I would at first close my eyes to the fact that artisans can, as a rule, only get the materials for their trade by going to the State. I would try to shape future five-year plans so that enough goods of the right kind came onto the market to satisfy the needs of small businesses.

I would publish all laws in large editions at a reasonable price and I would lay it down that after an appointed day no unpublished law would be valid. After this day administrative abuses of legal processes would be severely punished but there would be a complete amnesty for previous abuses. I would not willingly permit revenge against even the worst members of the KGB. I would retire them with good pensions and try gradually to raise the standard by careful recruitment and by promotion of the better (or less bad) men. I would not abolish the KGB but I would cut their budget progressively until they were reduced to the size genuinely needed for security in a system of government by law. I would force them to obey the ordinary laws after the appointed day.

I would expect some of them to sabotage my plans in various ways. Any who did this would be severely punished and with much publicity. I believe that they would soon come to heel, if they saw (a) that it was dangerous to resist, but (b) that all who adapted themselves to the new order could keep a considerable proportion of their property and always live on that spot. This would show that incriminating records had been destroyed, though no one would believe that the destruction was complete. And it would reassure some of the officials of the KGB that evidence against them was being

destroyed too. A rapid review would release most, and if possible, all the prisoners of conscience in concentration camps, prisons and psychiatric hospitals. The strictest forms of detention would be assimilated to the mildest and the worst of the persons administering them would be retired on pension.

The basis of power that I would seek would be the army and the bureaucracy. Their support would be necessary if the KGB were to be cut down to size. Therefore I would not touch bureaucratic privilege in the form of access to special shops, "funny money" etc. I would expect to have to retire or transfer officials numbering something like 100,000 over several years before there would be a satisfactory administration. Inevitably there would be some injustice, but I would take great pains to avoid unnecessary harshness even to the most objectionable individuals.

The Communist Party of the Soviet Union—whatever may be the case elsewhere—is losing its ideological content but has not yet plucked up courage to face this. The party remains however as an instrument of rule, which is at present indispensable. Therefore I would not make any overt change in the status of the Communist Party. I would, however, promote good men whether they were party members or not, and regardless of their ideology. I would remove Lenin as the spiritual father of Stalin but I would bide my time about Lenin. I would be content to rehabilitate Bukharin, the one early Bolshevik who thought it unwise to press the peasants too hard, and to lay a time fuse in the form of a new edition of Lenin's works.

I would not abolish censorship but I would relax it as fast as could be done without stirring up that Russian anarchy that has always lurked just beneath the surface. Wherever I could, I would make poachers into gamekeepers. Sakharov would be the chairman of the Academy of Sciences, but I would not invite Solzhenitsyn to become chairman of the Union of Soviet Writers—not that he would accept in any case.

All mainstream religions would be encouraged. Their disabilities would be removed,

they would be able to appoint their own hierarchs and I would treat them as pillars of the new social order. I believe that they would generally accept this role with alacrity. I would give the Russian Orthodox Church a special position, which would need careful definition, in the Soviet Union as a whole. And I would give Islam a special position in Central Asia and Azerbaijan. The Roman Catholic Church would similarly be accepted as having a special place in Lithuania and I would make corresponding arrangements in Estonia, Latvia, Armenia and Georgia. The United Church would be allowed to re-emerge in the Western Ukraine.

Voluntary societies would be encouraged to supplement the work of official organizations. Those who had emigrated in previous years would be welcome to come back either for a visit or permanently, and could leave again freely. As soon as a rough balance between those leaving and those returning was reached, I would allow Soviet citizens to leave their country and to return to it as freely as citizens of the Western democracies.

Ballot box democracy and a plurality of parties would not be part of my plans but they would be allowed to emerge in the normal course of events. If they did not, the rule of law would still prevail.

This essay is not a prophecy and it is most unlikely that any future reformer will follow precisely these lines, but there are strong practical reasons for everything that I have suggested. Could such a plan succeed? It would have a better chance than a continuation of the present system. Any reform may fail. But failure is not inevitable and patriotism is a mighty force in the Soviet Union. So I should do everything to enlist it in favour of these reforms. The Russians are neither so impractical nor so incapable of ordering their own affairs as is often supposed, but they lack experience in doing so.

Whoever the reforming Tsar is, and whatever he does, he will be bitterly criticized for doing too little. Some of those who ought to be his friends will try to stab him in the back. He will need broad shoulders and a power base sufficient for him to set his own pace in making changes.

I see many and great dangers, but measured boldness in reform is the least danger. A peaceful evolution of the present Soviet system provides the best hope both for Russia and for her neighbours. The first years of the transition will be the dangerous ones. But it would not take many years for a reformed system to take root as firmly as its predecessors over the centuries.

Sir John Lawrence
The author is Chairman of the Great Britain-USSR Association.

Bernard Levin

The mystery of the fiddler on my roof

I have one of those radios which, pre-set, wake you up in the morning with the programme of your choice. I switch it on to Radio Three, in order to be woken up by music, which is the nicest possible way of coming to, if you have to come to, that is, and Robert Benchley was by no means sure that you do, concluding an article on the various ways of being roused from sleep with the tetchy question "Anyway, why all this fuss about waking me up—did I ever ask to be woken up?" This device, given to me by a friend, replaced as my morning-call system a musical alarm-clock, which suffered from the drawback of having only one tune in its repertoire, to wit, La Mer (no, dear, Charles Trenet's, not Debussy's), but the radio-system has a snag, too, especially for those of a nervous disposition: if the mechanism is tripped into action while the announcer is talking between musical items, what you hear as you surface is not "sounds and sweet airs that give delight and hurt not", but a man who has certainly not been invited into your bedroom, and may well be there with the intention of doing you a mischief. This, I say, is particularly true if the announcer is that jolly lunatic, Victor Hallam, whose voice is uncomfortably reminiscent of Valentine Dyall, vocal epitome of all that is sinister. (When I say Hallam is a lunatic, I do not echo his own view: once, announcing that the next event would be the time-signal, he confessed that he was in the habit of dancing to the pips. "But then", he murmured shyly, "I'm a bit mad, you see.")

Anyway, not long ago I woke up, in my accustomed fashion, to music. Mozart, in this instance, and to be precise, the fourth Violin Concerto. And I lay and stared at the ceiling, entranced to the point of wondering whether I really was awake, by a violinist of such unique strength and unsurpassable sweetness, that I simply could not put a name to him. The recording sounded modern and I ran through all the possibilities, rejecting them as I ran. Not Menuhin for I know Yehudi's tone too well to be mistaken in it; nor Stern, for his version would be more "forward", even aggressive; nor Perlman, who would be less mercurial; nor David Oistrakh, who would produce as much beauty but less electricity; nor even Zukerman, though he has electricity for I have begun to feel that I was having "hallucinations", and, recalling how modern techniques have transformed old recordings, started to think of the great fiddlers of the past whom I had heard; Thibaud, when he was killed in an air crash when his career was over, and when he had hardly begun; Huberman; Mischa Elman; it

I was listening to a player beside whom all the others were as princes beside a king

was none of these. I tried the players whom I never did hear in the flesh: Kreisler, Kulenkamp, Adolf Busch. No again. Eventually, I actually did have hallucinations, and convinced myself I was listening to Paganini, or possibly the Devil (a lot of Paganini's contemporaries were convinced he was the devil. Just before the music ended, and I addressed the ceiling: "That", I said, "was without exception the greatest violinist I have ever heard in my life. The ceiling hasn't cracked, the answer of the microsecond before the announcer came to the rescue of my extraordinary aberration."

For of course, as soon as I actually put it in words the search was over: those of you who heard him will have got there long ago, and most of those who didn't will have achieved the same result through a process of elimination. Jascha Heifetz really was the greatest violinist I ever heard in my life; I suspect that he was (is, actually, for he is still alive, though long since silent) the greatest violinist who ever lived, not excepting Paganini, to say nothing of the gentleman who gave the first performance of Beethoven's Violin Concerto with the first movement separated from the other two by a selection of pieces from other hands, including a series of fantasias. Heifetz's achievement is one of the most extraordinary phenomena in all music. I have discussed here on another occasion the way in which many musical instruments have had their entire character transformed, together with our way of listening to them, by a single player of genius. Segovia and the classical guitar; Dennis Brain and the French horn; Archie Camden and the bassoon; Larry Adler and the humble mouth-organ; Arne Nordheim and the even humbler piano accordion; even, it seems, Casals and the cello, for although no one can now remember what the instrument sounded like before Casals took his elbow away from his side, or how it was regarded, the musical histories seem to agree that Casals gave it an entirely new life. (James Neveu, who died the same way, but who has hardly begun, Huberman; Mischa Elman; it

though unique, also unique unappealing.)

But with the piano and the violin it is surprising how I do the same trick. I can name easily enough the greatest pianist I ever heard: Artur Schnabel. But I know perfectly well that all I mean is that it was the one who most deeply and richly satisfied whatever is in me that responds to the piano, that other masters—Rubinstein, Edwin Fischer, Horowitz, Kempff, Serkin, Casadesu, Michelangeli—perform the same function for other listeners, and that there is no possible way in which the superiority of one of these over all the others can be demonstrated, and indeed no point in even starting such an argument. (Peter Ustinov, a school, was asked, in some elementary musical general knowledge test, to "name any German composer". He offered Bach: "Wrong", said as much a dominie as can ever have lived: "the answer is Beethoven.")

The reason for the impossibility of any pianist ever being recognized as superior to all others is that the range of the instrument, and the infinite variety of styles of playing that it can encompass, are such as to preclude any decision other than one which merely records that tastes differ. Yet the same is true of the violin and Heifetz, nevertheless managed it. My extraordinary lapse of memory, that moment I lay in failing to realize that I was listening to Heifetz; but I had no doubt from the first bar that I was listening to a player beside whom all the others I have ever heard were as princes beside a king, and what is more, I have no doubt that all over the country other listeners were coming to the same conclusion.

Now if you ask me to define the qualities that set Heifetz apart, I cannot do so; if I could, there would be no need of music, for words could do all that *die holde Kunst* can do as well as what we hear with ourselves. The only aspect of his playing that can be encompassed in words is, by that test, inevitably defined as not the most important; nevertheless, it is true that his playing does sound literally effortless in every note, more completely and assuredly so even than Zukerman's. But that is only one quality, the container; what cannot be understood by mortal ear is the contents. His technique is flawless; so is Stern's. His selflessness before the composer is complete; so is Menuhin's. His tone is gold unalloyed with the smallest imperfection; so is Oistrakh's. And yet Jascha Heifetz was the lion, and all the others, though as strong as the tiger, as graceful as the gazelle, as fleet of foot as the cheetah, as cunning as the crocodile and as majestic as the elephant, must form a ring around him, and bow to the monarch of them all. I heard him many times in my youth, from the gallery of the Albert Hall, but those who did not try his recordings, and recognize one who was not *primus inter pares*, but alpha and omega.

© Times Newspapers Ltd, 1978.

Le Monde
LA STAMPA
THE TIMES
DIE WELT
Europa

Dangers behind the poll postponement



After the British vote in the Commons, do you think that the European parliamentary elections will inevitably be postponed to the spring of 1979?

Many hopes are centred on the direct elections to the European Parliament, which represent a political prospect that is already having a surprisingly far-reaching effect on public opinion, especially among young people. You can see changes and developments taking place that would never have been possible within a purely national context. It is unfortunate that these hopes have not been taken adequately into account, and that the original date—May/June 1978—has not been adhered to. However, I do not think the

procedural arrangements that have to be made by all the countries involved need make longer than mid-1978 to finalise.

I hope it will not be necessary to wait until the spring of 1979, unless purely internal political factors arise in the individual countries concerned and bring about, quite independently of the question of the election itself, a postponement to such a distant date.

What would be the consequences of such a delay, as far as the construction of a united Europe is concerned?

There would be the danger that such a delay would only reinforce existing doubts, which in turn would make Europe's progress more uncertain. At a time when outsiders such as Spain, Greece and Portugal feel the call of European democracy as something both irresistible and uplifting, we who are already members of the Community are still unable to see clearly where our interests lie, and are still unable to take that step forward which we now need to, and which is no more than our very democratic existence demands.

Furthermore, at a time when the entire process of European reconstruction has rather ground to a halt, postponing the elections only postpones the time when we shall be able to reflect, and have the momentum to press forward. It makes it easier to accept further indecision and postponements, so characteristic of the way European union is progressing.

But we must not lose heart. There must be greater commitment to the cause of the elections to make up for time already lost. Now that the political forces—and I refer

especially to those who profess to believe in Europe—are committed to the test of the poll, they have the opportunity, whether in government or in opposition, to show themselves able to put forward policies and assume responsibilities that will enable them to receive the approval of the European electorate.

After the direct elections, what is the role of the European Parliament in relation to the development of the Community?

The European Parliament has a function going far beyond that of a purely consultative body. It has its own powers where the budget is concerned, and is extremely active in legislative matters. It is increasingly actively involved with the Council of Ministers and the Commission. Among other things, in addition to Community matters, it also considers and discusses the major international questions with which the Nine are jointly concerned politically.

The elections do not involve any extension of these duties: but it is plain to everyone how much more vigour and authority popular suffrage will give to the proceedings of the European Parliament.

After the elections do you foresee any extension of the institutional responsibilities of the Parliament?

The new Parliament can and must press, above all, for the full application of the treaties, which envisage so much more than has so far been introduced. At institutional level the concern of the new European Parliament should be not so much to claim wider powers for itself, but to achieve a proper status for the institutions of the Community, and thereby

Emilio Colombo, who is 57, has been President of the European Parliament for nine months, and has been a member of it since October 1976. During a political career spanning 30 years, his many ministerial posts in finance and economics (he was variously minister of agriculture, of foreign trade, of industry, of the treasury and of the budget) have involved Signor Colombo directly in European affairs from the negotiations culminating in the signing of the Treaty of Rome, to the widening of the Community to include Britain, Denmark and Ireland. As Prime Minister of Italy from 1970 to 1972, he signed the treaty on Italy's behalf, by which the three new members were admitted to the Community.

In this interview with Paolo Garimberti, Signor Colombo talks about European elections in relation to the state of the Community.

to close the present obvious gap between the great responsibilities of a vast Community such as this, and the inadequate powers and authority of the institutions by which it is to be run.

We must therefore see that these Community institutions grow and evolve in their totality, in accordance with the principles of a modern democratic structure, with the gradual elimination of bureaucracy and a distribution of powers more in line with what is to be expected of modern states. In a word, an Executive Commission and a European Council more directly responsible to Parliament, and with the legislative function more concentrated in parliament.

Could there be two sets of parallel political functions

with the possible risk of conflict that would entail between the President of Parliament and the President of the Commission?

In all our countries there is traditionally a clear division between the power of the legislature and that of the executive: certainly where the Community is concerned we have no desire to change that—quite the reverse.

We want full constructive democratic discussion between the various parties. After the elections the President of the European Parliament, in his dealings with other institutions, will be responsible for representing a political force in its own right, with its own roots, and—as such—a force that is obviously of far more consequence.

How do you judge the state of Europe today? The last European Council, which was heavily criticized in so many quarters—so much so that the head of the Luxembourg Government, Prime Minister Thorn, said that it rose to the level of a good Council of Ministers on only a few occasions—seems to have focused attention once more on the differences between the economic strategies of the individual member states, and the institutional backwardness of the EEC.

The tests which the Community is facing are not easy. The economic crisis has struck us all, causing a serious general threat to employment, and various other repercussions in different countries, all of which would tend to accentuate the existing differences, if nothing was done.

Moreover, all of our societies, without exception, are faced to varying extents with problems of another kind—terrorism, the rediscovery of regional or ethnic values; and the difficulty with which youth is faced today of taking its proper place in society, a difficulty that is not only economic, but also moral and psychological.

This list of troubles is not intended as an excuse for the not always very satisfactory progress of the European construction, because in effect it was in better times. Parliament stands watch to this very end, for the time being doing the best it can; and direct elections are a fundamental requisite for this task.

What do you consider the most pressing problems today?

Apart from the question of direct elections, which are an essential step towards political union, I think that the economic difficulties emphasize a number of urgent aims. In the first place, it is essential that further progress should be made in coordinating the economic policies of member states.

The stabilization policies of

criticism—hard, inflexible even, but designed to stimulate—or is it introducing, imperceptibly, a sceptical frame of mind that is the prelude to a devaluation of all that this Europe that is being built so laboriously may represent?

In your mind, therefore, is the European process both irreparable and irreversible?

The Community exists and already has its own solidarity. That is something we need to keep telling ourselves, even at times when we are dissatisfied. The structures of production have become more integrated than they may seem. The irreversibility to which you refer is something that exists, not much in treaties but as physical fact.

As we all know, the cost of turning back would be disastrous, a price no government or other political power could reasonably pay. And so we have to make the common political will more operative, such as those of the Mediterranean regions, are concerned.

Finally, extension of the Community to include Greece, Portugal and Spain represents one of the important items for the Community's early attention. We must strive to overcome the difficulties in a way that eliminates the risk of weakening the existing Community structures, and makes the entry of the new countries a dynamic factor in the unification of Europe.

The way in which problems connected with the new membership are handled will be a test of the political will of member countries to consolidate the process of European integration. In this connexion it must be remembered that the new candidates for membership are entirely ready, politically, to commit themselves without reservation to the process of unifying Europe.

nomically stronger countries, at both Community and world level. In this context it is necessary to develop the instruments and financial resources of the Community, and to seek common solutions to structural problems. Such action can be best undertaken in the perspective of economic monetary union, which remains an indispensable aim that, albeit slowly, the Community must achieve.

Then, with a view to reducing the imbalance and inequality that exists between the various regions in the Community, and as an aid to bringing together the economies of member countries, there must be a thorough examination and review of the so-called sectoral policies, starting with the Common Agricultural Policy—especially where certain products, such as those of the Mediterranean regions, are concerned.

Finally, extension of the Community to include Greece, Portugal and Spain represents one of the important items for the Community's early attention. We must strive to overcome the difficulties in a way that eliminates the risk of weakening the existing Community structures, and makes the entry of the new countries a dynamic factor in the unification of Europe.

The way in which problems connected with the new membership are handled will be a test of the political will of member countries to consolidate the process of European integration. In this connexion it must be remembered that the new candidates for membership are entirely ready, politically, to commit themselves without reservation to the process of unifying Europe.

Nine look back on bad year and forward to worse

by David Blake

Europe has still not recovered from the recession which began in 1973, and in 1978 things will get worse, not better. In a world whose economic performance was far worse in 1977 than even the most pessimistic expected, the European experience stands out as particularly depressing. Country after country was forced to reduce estimates of the growth it would achieve, in most cases halving the targets which were set at the end of 1976.

The most striking example is West Germany, where growth in 1977 is likely to turn out to be about 2.5 per cent instead of 5 per cent which the Federal Government originally predicted and which at the London summit last year, it pledged itself to achieve. Germany has been criticized for its failure to meet its target, but the gap between its promise

and performance is not much greater than that in the other chief economies of Europe.

In France, for example, growth was originally expected to be 4.8 per cent and now seems likely to turn out to be about 2.5 per cent or just under. In the United Kingdom hopes that growth would be about 2.2 per cent have given way to expectations either of almost no increase or even a decline. In Italy output is expected to rise by little more than 2 per cent.

Unemployment in the Community has risen steadily as a result of this poor growth performance, and now stands at over five million. The main cause for concern, however, is not what has been happening in the past few months but the effect which it will have this year. As it became clear that the second half of 1977 was turning into a period of slow growth, governments felt the

need to revise their estimates for 1978 because it was realized that for the West as a whole the achievement of a 1978 growth target of 5 per cent would involve a sharp acceleration.

The 24 nations of the Organization for Economic Co-operation and Development (OECD) have now admitted that even if they all achieve the aims they set themselves for 1978 the growth rate for the entire industrial world will be only 4.5 per cent; outside the United States it will be less than 4 per cent even though the European countries need to grow by at least 4.5 per cent to stop unemployment rising.

Allowing the recession to deepen and unemployment to rise is therefore now the official policy of the European industrial nations; but the true position is even worse than this indicates. For low though the growth targets of European countries are, they are unlikely to be achieved.

For West Germany the official target remains 4.5 per cent; the latest available OECD forecast is about 3 per cent. Most responsible forecasters would feel that France too is unlikely to achieve much more than 3 per cent instead of its estimate of 4 per cent.

In previous years it was possible to say that the gap between forecasts and targets did not mean that the target figures would not be reached, but merely that government policies would have to be modified to make this possible. No such reassurance can be given now. Governments may find it difficult to recognize quickly enough that corrective action is needed; the German Government's promise in May to achieve a 5 per cent growth was doubtless made in good faith, but it was meaningless because by then it was too late to take action. The same problem will occur this year.

There is also a growing doubt whether government measures to stimulate the economy would succeed. The leaders in Europe of the rejection of "naïve Keynesianism" have been the German Government; but their attitude is shared by many others. The German position, put simply, is that the old remedy for recession—to cut taxes and increase public spending—no longer works.

Germany argues that the constant change in Government policy this implies creates uncertainties that do more to damage business confidence than the extra demand created improves it. It is also feared that wage demands will shoot up at the first sign of a more expansionary policy, that costs will rise, and that the resultant inflation will more than counteract any beneficial effects earned by the government measures.

Because most of the countries in Europe look to Germany as the only European nation which can stimulate demand without having to worry about payments problems, the argument has usually been about whether or not the Germans could and should do more to help recovery. The "locomotive theory" that Germany, Japan and the United States should lead the world out of recession, certainly supports this view.

Too many countries have tended to lay all the blame for the West's present difficulties on Germany and to ignore both the mistakes which others have made and the role which others must play. Even if it were true that a more expansionary policy by governments could stimulate economies and even if the Germans were to do everything anyone could reasonably ask of them, European economies would still be in trouble this year.

The recession has now endured for so long so deeply that no one country, nor even three countries, can carry the whole burden of moving the West out of its difficulties. It is already too late to try to do this.

A similar improvement has been seen as far as inflation is concerned. Inflation in the United Kingdom, which reached nearly 24 per cent in 1975, was down to 13 per cent in the 12 months to the end of 1977 and should fall into single figures by the middle of this year. Italy had an increase in the inflation rate in 1977 to

high unemployment causing protectionism and thus killing the last hopes of sustained recovery.

If there is to be any hope there must be a concerted programme of action by all the EEC countries and indeed by the world as a whole aimed at ensuring a minimum that present forecasts about growth rates are not fulfilled. It is too late to do anything about 1978 but it is not too soon to start worrying about 1979.

Economic conditions for a recovery programme are on the whole encouraging. Some of the formerly weak countries, such as the United Kingdom and Italy, have achieved a remarkable reversal of their adverse balance of payments position, and this makes more acceptable the fact that they have been forced to adopt policies at home which have pushed unemployment figures in each case to about one-and-a-half million. Italy had a current account surplus in 1977 and will have a much larger one in 1978; the United Kingdom will probably have a smaller surplus in 1977 and one of more than \$3,000m in 1978.

A similar improvement has been seen as far as inflation is concerned. Inflation in the United Kingdom, which reached nearly 24 per cent in 1975, was down to 13 per cent in the 12 months to the end of 1977 and should fall into single figures by the middle of this year. Italy had an increase in the inflation rate in 1977 to

nearly 19 per cent but there should be a sharp fall in 1978.

In France the outlook is somewhat less encouraging, at least on the external side. The country is expected to have a substantial deficit on its current account in 1978, though slightly less than that recorded in 1977. The French attitude that they cannot be expected to expand unless they are sure that others will as well, thus easing their payments position, is probably valid.

In this sense at least, Germany does indeed play a central role in determining Europe's future prospects. With inflation at about 4 per cent but unemployment high by postwar standards, the case for a commitment to some expansion does seem strong, even if some of the criticism of German policies has been unfair.

What is at stake here is whether Europe can sustain enough momentum to bring about the investment revival which is desperately needed in the world in years to come. Investment has been constantly postponed since the oil crisis of 1973.

There is an old joke about a young pilot whose mother makes him promise to be careful and to "fly low and fly slow". That recipe for stalling and crashing the plane seems to be the policy being pursued by those who shape Europe's economic destiny, with results which become more apparent with every passing month.

Energy plans get a breathing space

by Hans Baumann

"The freezing of oil prices until the middle of 1978 was a free decision by the oil-producing countries in Caracas. Nobody forced it on us", Shaikh Yamani, the Saudi Arabian Oil Minister, told Europe when asked if there had been American pressure on Opec.

Shaikh Yamani, who had predicted in a *Europa* interview at the time of the recent Opec meeting that oil prices would not be increased in 1978, was asked whether he was satisfied that the Opec meeting had agreed to freeze prices for six months, whereas he had wanted a standstill for the year.

"I am satisfied", he said. "We can now watch the movement of the dollar in peace. Its drop in value, particularly hit the oil countries because they calculate in dollars; but the industrial nations of Europe and Asia now also have a breathing space of six months in which to adjust their energy policies, in order that the oil producers can implement their maxim: oil will be rationed."

As the overlord of more than 60 per cent of world oil reserves, Shaikh Yamani left no doubt that refinery capacity in Europe will have to be reduced. "We shall on no account fail to construct oil processing plant in our own countries for export purposes", he said. At present Europe has refinery capacity of 250 million tons a year standing idle.

Shaikh Yamani is also convinced that the present flood of oil will fall noticeably in the new year. The international oil companies had already announced that they would reduce quantities by 10 per cent in the new contracts to be negotiated, he said. Then the supply of mineral oil products would automatically diminish and prices could rise again.

On the contrary

Vingt ans après

Dans une chambre du Palais du Berlaymont, que nous connaissons déjà, près d'une table à coins de vermeil, chargée de papiers et de livres, un homme était assis la tête entre les mains.

Ce fantôme du président Hallstein, c'était le Roy Jenkins.

En ce moment la porte s'ouvrit.

—M d'Artagnan, dit le valet de chambre.

—Eh bien, d'Artagnan, dit le Roy, j'ai besoin de vous et de vos trois amis.

—De quels amis, sire ?

—Ceux que vous appelez Ceca, Euratom et Marché commun.

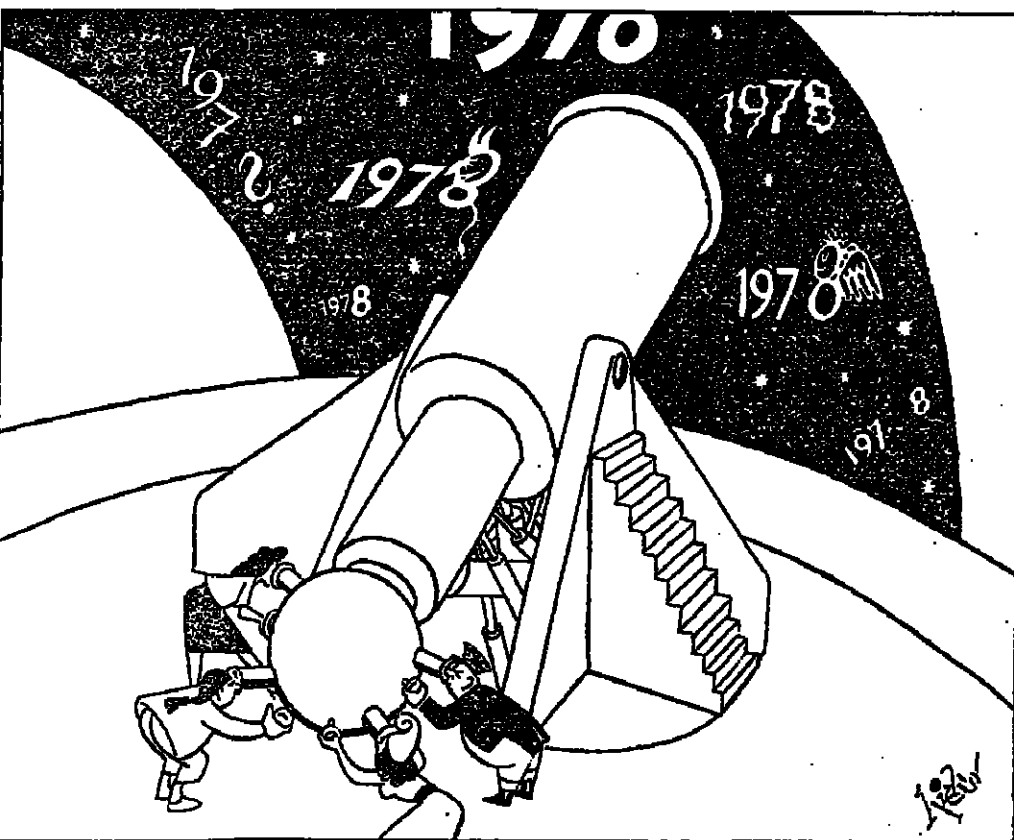
—Je les crois toujours à Bruxelles, dit d'Artagnan.

—J'ai une commission pour eux. Allez expliquer que je leur propose une union monétaire européenne.

—Votre Majesté remuera toute la France et l'Europe, dit d'Artagnan, si cela lui convient.

Et il ajouta à mi-voix: Si ce sont des doublons d'Allemagne ou même des écus d'or, nous pourrions encore faire affaire ensemble.

Pangloss



DEMOCRATIC & POPULAR REPUBLIC OF ALGERIA
MINISTRE DE L'AGRICULTURE ET DE LA REVOLUTION
AGRAIRE
OFFICE ALGERIEN INTERPROFESSIONNEL DES CEREALES
"O.A.C."



Notice of a call for tender on a national and international scale to the Building Industry for a turnkey construction of cement silos to store cereals.

- Purpose of call for tender:**
The Algerian Institute for Cereals—O.A.C.—invites national and international tenders for the turnkey construction of eight concrete silos for the storage of cereals to be built in different parts of the country with a total capacity of 2,400,000 cwt.
- Presentation of tenders:**
Tenders should be placed in 2 sealed envelopes. The outer envelope must have written on it "Appel d'offre, silos de stockage O.A.C./Ne pas ouvrir". The inside envelope should contain the documents for submission and should have the name of the party tendering for contract and the name of the company clearly written.
- Place and date for receipt of tenders:**
The envelope, which should be prepared in the way indicated in paragraph 2, should be sent by registered mail to: L'Office Algerien Interprofessionnel des Cereales, 5 rue Ferhat Boussad, Alger, Algeria. It could also be delivered by hand. The final date for application is 28th February 1978.
- Duration of commitment to tender:**
Bidders will be bound by their tenders for a period of 150 days from receipt of application.
- Obtaining documentation:**
Interested parties to this call for tender may obtain tender specifications and the necessary documents as from 4th January 1978 by sending a written request and a payment of 2,000 DA, which is not refundable, to either Maître de l'ouvrage, O.A.C., 5 rue Ferhat Boussad, Alger, Algeria, or to Interag, 90 rue du Colonel si Mohamed, Ain Benian, Algeria.

Facts and figures

Growth marked by abrupt changes

by Maurice
Bommensath

As the graphs show, there has been no recent improvement in economic activity in the four major European countries. The trend is downward, if anything, except in West Germany where the index of industrial production registered a slight rise (some 3 per cent in annual terms) last month, and this appears to have been maintained.

Things are turning out still better in the United States, where the figures for the rise in third quarter gnp have been twice revised from 3.8 per cent to 4.7 and then to 5.1 per cent.

The recent monthly figures for the rise in United States industrial production have, however, been rather disappointing (0.4 per cent in September, 0.3 in October and 0.5 in November) as these are equivalent to an annual growth of only 5 per cent. While the United States cannot hope to

get back to the expansion of early 1977, it needs a respectable rate of growth, and we are not even seeing that.

A striking feature of growth in all the countries is the hesitant and rather abrupt way that the indices move about their basic trend: successive quarters (and sometimes even months) bear no resemblance to each other.

In France, for example, September was a good month for consumer expenditure, giving rise to hopes which were promptly disappointed in October, only to be revived by November's results. The same phenomenon occurred in Britain, where the third quarter figure for industrial production (110) was better than the second quarter (109.2) but worse than the first quarter (110.4). In West Germany the fall in unfilled orders in summer was followed by a definite increase in autumn, which is, however, more the result of orders from the home market than export orders.

What is the cause of these switchback movements that we pointed out last month? Presumably they are the result of fluctuations in consumer expenditure, especially on durables, which are periodically influenced by government action (such as the increase in social security benefits in France, or the unfreezing of the second block of worker shares in West Germany) which produces an immediate effect, but remains essentially more tinkering, raising hopes but not producing a significant upturn.

Another economic indicator showing erratic behaviour is unemployment. If we look, not at the rates of unemployment which are not comparable, but at movements in the rates, and compare them with movements in industrial production, some surprising results emerge.

In France, for example, the fight against unemployment has been most successful since industrial production began falling. Conversely, in the United

States unemployment is still around the danger level of 7 per cent, for all the continuously good record of growth. The United States has, however, succeeded in creating 1,200,000 jobs over the same six-month period, and is still the only country in which the unemployment rate among young people (an important indicator) has fallen significantly.

Britain is an intermediate case, with unemployment steady at 6.1 per cent despite economic stagnation; the Government estimates that its special budget injection of £900m has saved 250,000 jobs. A slight improvement in the West German economy has left the number of unemployed at about a million. Only in Italy is the traditional pattern of falling production accompanied by an equal or greater increase in unemployment.

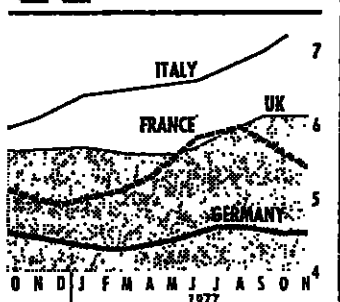
The conclusion is clear: growth may be a necessary condition for improving the state of the labour market, but is far

from being sufficient, and a number of countries, including the United States and West Germany, appear to have abandoned the attempt to get back to an acceptable definition of full employment by growth alone. Even President Carter has probably given up hopes of achieving 5 per cent unemployment by 1981 on these policies, which are in any case not compatible with the other target of balancing the budget.

He has, in fact, recently hastened to support the proposed "full employment and balanced growth Act" of Senators Humphrey and Hawkins, which envisages bringing unemployment down to 4 per cent by 1983 using other policies than the simple stimulation of output.

Whether improvements are to be sought by growth or by direct measures, any success will depend to a great extent on the course of international affairs, particularly on the outcome of the struggle between the United States and Japan. In the past Japan has tried to develop its economy discreetly but vigorously; now, suddenly, the Japanese find themselves in the dock, to their great surprise.

UNEMPLOYMENT
Estimated unemployment rate as a percentage of the working population (not comparable)



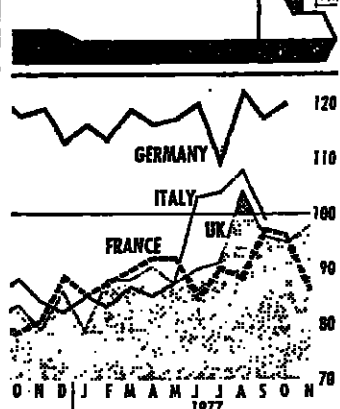
Unemployment: The rate of unemployment as a ratio of the labour force, seasonally adjusted, remained stable from October to November at 4.5 per cent in West Germany, and 6.1 per cent in Britain. In France the rate fell to 5.4 per cent, but it rose to more than 7 per cent in Italy.

Their success has been too great, and it threatens to destroy whole sections of European and American industry, with inevitable effects on unemployment. Among the industries concerned are shipbuilding, iron and steel and the motor industry. The last gave most cause for concern as it is still one of the main forces for growth in Western economies.

Although other countries, such as Hongkong, must share the responsibility for layoffs, in the textile industry, for example, and are even beginning to affect Japan. Japan itself is the principal country accused.

The United States is charging Japan with deriving undue advantage from the growth in the world economy which the United States has brought about, and with failing to make a proper contribution to this growth. Recent figures bear this out: the Japanese economy grew by 5.7 per cent in 1976-77, 2.7 per cent of this from exports alone. In addition Japan is

FOREIGN TRADE



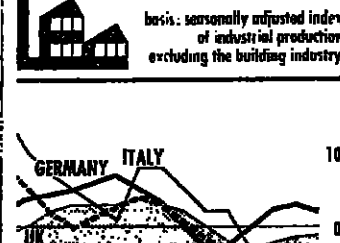
Foreign trade: There is nothing very surprising in West Germany's maintaining the rate of cover of imports by exports (calculated on the basis of a seasonally adjusted) at the high rate of 120 per cent. Much more remarkable is the British achievement of keeping level at 100 per cent. By contrast, the French figure of 86 per cent in November is disappointing, following the successes of previous months.

charged with not importing enough products, and which account for only 20 per cent of West German imports.

The Japanese meet these charges with astonishment: they have, after all, simply followed the rules of the game as laid down by the Americans. Do these not apply any more? And is free trade now just a joke and a myth, as proclaimed recently by Mr Meany, leader of the powerful American trade union association, the AFL-CIO?

The new Japanese Government formed by Mr Fukuda under pressure from the dollar and the rise in the value of the yen (which is an increasing source of embarrassment to exporting companies) is preparing for a major policy shift. Simultaneously under attack at home from the Japanese Federation of Economic Organizations (their equivalent of the Confederation of British Industry) and abroad from the Americans, the Government drew up on December 6 a programme designed to stimulate demand and to reduce as quickly as possible the overwhelming trade surplus which is an increasing irritation to Japan's economic partners.

INDUSTRIAL GROWTH



Growth: Estimates based on the revised figures for industrial production show a drop over recent months: the fall has been slight in Britain (-1 per cent), middling in France (-3 per cent) and substantial in Italy (-6 per cent). Only West Germany has shown any rise in production (up by 2.3 per cent).

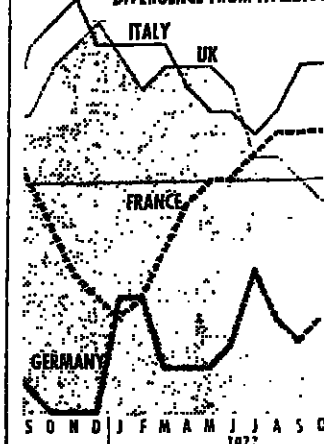
This programme includes several measures ranging from the expected reduction of 10 per cent of Japanese imports to the abolition of import quotas and to promotion of ports of raw materials; it includes an extraordinary budget aimed at expanding economy over 15 months.

Will the Government succeed in overcoming opposition from many groups, often based on social considerations, and on lobbies such as the farmers, who are mainstays of Mr Fukuda's Liberal Democratic party? eyes are now on Japan, because the relationship with the United States will be an important factor in the economic health of the Western world.

PRICING

Consumer price index

DIVERGENCE FROM AVERAGE



Prices: During the past month average inflation in the four countries has risen slightly from 6.75 to 7 per cent. Prices are steady in West Germany, up by 0.1 per cent in November. Also notable is the British performance, where the increase of 0.5 per cent in November still keeps it to an annual rate of just under 6 per cent. The figures for France (9 per cent) and Italy (12.13 per cent) continue to be disappointing.

United States: comparative situation and influence

Industrial growth ● (●)

The latest figures show that a good level of economic activity was maintained through the third quarter, with gnp growing at an annual rate of 5.1 per cent. Industrial production, however, remained weak, growing by only 0.3 per cent in October and 0.5 per cent in November. The index of leading indicators advanced a further 0.7 per cent in October. The only disquieting sign is a slight downturn in car production in November.

Prices ○ (○)

The indices of retail and wholesale prices are continuing to diverge. Retail prices were quiet, rising 0.3 per cent in October (the same as in September) with food prices rising 0.1 per cent. Wholesale prices on the other hand are increasing much faster (0.7 per cent in November, after an increase of 0.8 per cent in October) under the influence of agricultural prices which rose 3 per cent (2.4 per cent in October).

Unemployment ○○ (○○)

The rate of unemployment has remained almost unchanged, varying between 6.9 and 7.1 per cent of the labour force for more than six months. November's figure of 6.9 per cent is a slight fall from the October level of 7 per cent. Meanwhile the number of jobs created continues to rise (nearly 1,200,000 during the past six months).

Capacity ○ (○)

Although output is holding up well, especially by comparison with the European economies, the rate of capacity use has fallen steadily in past months, from 83.3 per cent in June to 82.9 per cent in October and November. Capital investment will be 7 per cent higher in 1977 than in 1976, which is well below the target of 9-10 per cent.

Trade ○○○ (○○)

The massive deficit of \$3,100m in October has brought the cumulative deficit for the first 10 months of 1977 to \$22,400m. These figures are on an fob-cif basis: if converted to the fob-cif basis used in European countries they are respectively \$4,000m and \$31,000m.

Influence on the four countries

Monetary and financial: The sharp drop in the dollar during recent weeks is a considerable embarrassment to West Germany, which has taken protective measures, lowering discount rate from 3.5 to 3 per cent and freezing new deposits by foreigners. In France the overnight interest rate has risen to almost 9.5 per cent and in Britain minimum lending rate, which had been falling for some time, has risen from 5 to 7 per cent.

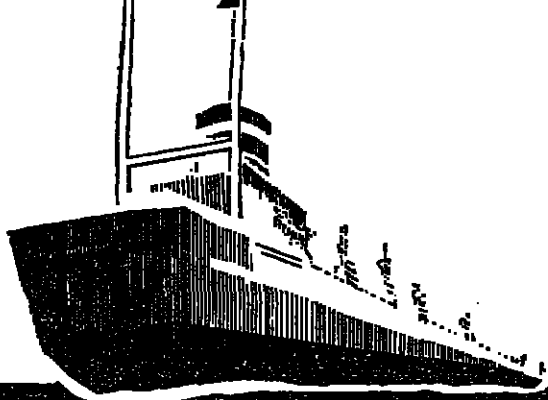
Economic: The fall in the dollar will have a deflationary impact in West Germany and Japan, curbing their exports and output—provided these countries do not adopt expansionary policies. The Japanese Government is considering just such measures, designed to allow Japan to increase imports and reduce its trade surplus. But will they embark on this new task?

○ Poor ○○ Bad ○○○ Very bad ● Fairly good ●● Good () Previous performance

We can take it!

Quantity of Space • Frequency of Sailings

Quality of Service



From U.K. & NORTH CONTINENT • From FAR EAST •
From U.S.A.—To THE GULF

Any cargoes, whatever the size of business, then United Arab Shipping Co (SAG) is the foremost Company to help you solve your shipping problems and carry the goods.

Additional to a large fleet of conventional vessels, soon to reach a total of 61 ships, we are also able to service container cargoes via Gulf Ports to their ultimate destinations. Whether you are looking for a fast economic but wholly reliable way of moving cargoes or the more sophisticated intermodel system of delivering goods then we can help you—we can take it.

You may either consult our advertised sailing schedules for regular and frequent opportunities or contact us direct if you have a special or unusual requirement not apparently covered in our advertisement.



Yes—we can take it!

**UNITED ARAB
SHIPPING CO (SAG)**

Head Office:
Jamal Abdul Nasser Street,
P.O. Box 3636, Safat,
Kuwait.
Tel: 819391/2. Telex: 2018.

Tokyo Liaison Office:
P.O. Box 2185, Tokyo 100/91,
Sumitomo Saimai Akasaka Building,
3/3 Akasaka 3-Chome,
Minato-ku, Tokyo 107, Japan.
Tel: 565-1178/9.
Telex: Jarsca J 22446.

European Branch Office:
Corn Exchange Building,
Fenwick Street, Liverpool L2 7RD,
England.
Tel: 051-227 4151. Telex: 627130.

North American Office:
Owner's Representative,
30 Washington Street,
New York, N.Y. 10008, U.S.A.
Tel: (212) 592 4268. Telex: 232327.

Platinum resumes its place as most costly metal

by Leo Fischer

"The dearest metal is getting dearer": this was the comment of the investors' Chronicle on the decision of Rustenburg Platinum to raise the producer price of platinum from \$162 a fine oz (31.1 gram) to \$175, with effect from November 28, 1977. The London free market price promptly reacted with an increase of about \$13, bringing the price to just over \$175.

Platinum is now quoted at more than \$15 above the gold price, enabling it to refurbish its image as the most expensive metal in the world. Except for short periods, platinum (discovered by Mr Scheffer, the director of the Swedish Mint) has always been dearer than gold. The most striking reversal of this traditional price relationship happened at the beginning of 1975: at the end of December 1974, the gold price rocketed to \$200, overtaking platinum which had been steady at \$190.

The subsequent slow decline of the gold price was more gradual than the fall in the platinum price and in April 1975, the average gold price was about \$15 higher than the average platinum price for the same month. In October, 1977, the gold price again briefly rose above the platinum price, but the historic relationship was reestablished in November.

In contrast to gold, the speculative demand element plays hardly any part in platinum prices, which are essentially determined by the fundamental relationship of supply and demand.

Japan is the major consumer of platinum, taking about 60 per cent of total production; in the first 10 months of 1977 Japan imported 31.4 tons of platinum, 20 per cent less than in the same period in 1976. In recent months, however, demand has started to pick up in Japan. But it is not clear whether this is a genuine in-

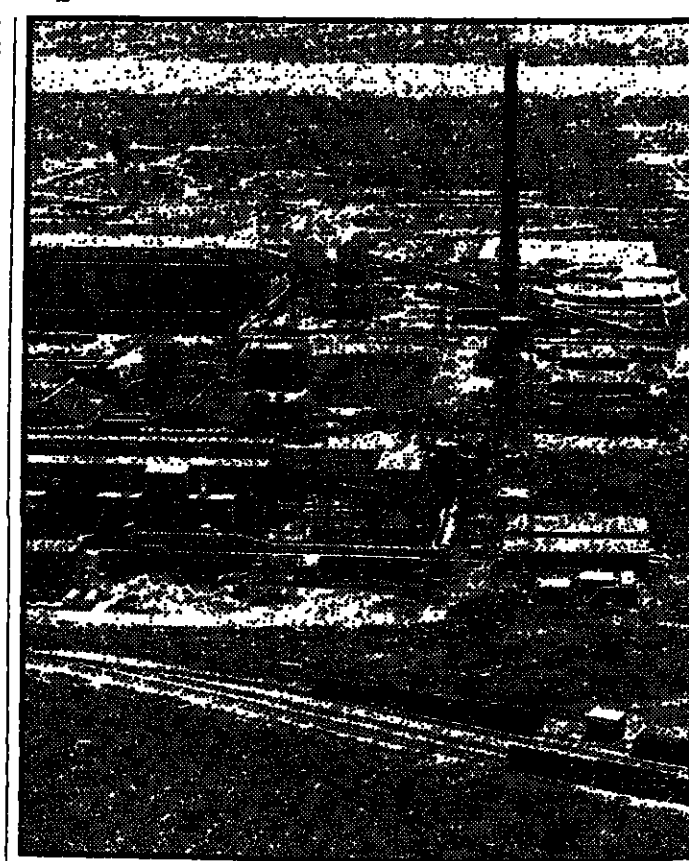
crease in demand, or the result of advance orders aimed at keeping down the rise of the currency, which is attracting more and more criticism, particularly from the United States. Platinum was "discovered" by the Japanese for jewelry during the period when it was temporarily cheaper than gold, and the jewelry trade now takes the larger part of platinum imports. This use of platinum for jewelry in Japan, however, seems to have passed its peak.

Demand in the United States rose sharply in the first 10 months of 1977: from January to October 1977 the United States imported 20 tons of platinum, six tons more than in the corresponding period of 1976.

The American jewelry trade, despite intensive advertising, is only a fairly small consumer of platinum; the major consumers are particularly the car industry, which needs platinum for exhaust traps, and the glass fibre industry, now experiencing a boom in the United States because of the energy-saving programme. Of the industries which are dependent on platinum, the fastest growing are the concerned with anti-pollution measures; more stringent anti-pollution regulations in America point to further increases in platinum imports.

The largest producer of platinum is South Africa, with an 80 per cent share of the world market. Impala and Rustenburg, the two largest South African producers, are responsible for 60 per cent of world production. It follows that political crises in South Africa will materially affect the platinum price.

The second largest producer is the Soviet Union; there are no exact figures available on the size of Soviet production, and this is a big cause of uncertainty in assessing the platinum market. This uncertainty is increased by the Russian



A platinum mine in South Africa, the world's largest producer of the metal.

sales policy, which is entirely unpredictable, at least in Western experts. Until the past two years the Russians were also regarded as a long-standing cause of uncertainty in the gold market, but recently—marked contrast to their platinum policies—they have been pursuing a sales policy which has been very sensitive to the needs of the market, and has been described even by Swiss bankers as very skilled.

There are no signs of similar applied knowledge of the platinum market at present, where the Russians make occasional great efforts to increase their platinum exports and then withdraw from the market for no apparent reason.

In November the market saw an example of this latter behaviour, with the Russians releasing only small quantities. Degussa reports in its latest market newsletter that these difficulties in getting delivery gave rise to rumours that production delays had arisen in the Soviet Union. It was even suggested that the Russians were actually buying on the world market.

The sharp drop in stocks on the New York Mercantile Exchange (the only exchange trading in platinum) has been attributed in part to these rumours. As the Rustenburg mines have also announced cuts of 10 to 20 per cent in produc-

tion, it seems likely that price will rise in the medium term as a result of the reduction in supply.

Another factor is the future course of the gold price: if, as is generally expected, this goes up, then the platinum price will also have to rise if the historic relation between the two prices is to be preserved.

Platinum is one of the sleeping giants of the commodity markets, for long periods nothing much happens, and when the bulls have given up hope there is a sudden leap in the platinum price. It is clear that interest in this metal is picking up from the rise in turnover for platinum contracts on the New York Exchange in November: on November 21 daily turnover at 1,877 contracts (a contract is for 50 fine ounces) was the highest for nine years.

Another good sign was the market reaction to the free market price increase which followed the announcement by Rustenburg of the increase in its supply price. Usually such price rises are followed by profit-taking (sales), but this has not happened this time because traders are clearly also expecting further price increases. The Investors' Chronicle article points to the current low stocks and recommends platinum as "an attractive alternative to gold".

Europa

Editorial Committee:

Piero Drouin, Jacqueline Grapin,
Le Monde;
Piero de Garzaroli, Mario
Fasanti,
La Stampa;
John Greig, David Spier, The
Times;
Hans Baumann, Ingeborg
Schawil,
Die Welt.

Executive Editor:

Jacqueline Grapin

Commercial:

Michel Gerard, Le Monde;
Riccardo di Corato, La Stampa;
Bryan Todd, The Times;
Dietrich Windberg, Die Welt.

Commercial Coordinator:

Bryan Todd.

© Times Newspapers.

Fish quota talks founder on chauvinism

by Ronald Faux

After 18 months of negotiation, the European partners are little nearer any detailed settlement of fishing rights in the North Sea. They accept that conservation measures are necessary in the interest of all but the agreement now under negotiation will settle who takes what share of a sharply reduced catch and what the individual level of sacrifice is to be.

Britain is frankly suspicious about the ambitions of the European fleets. On the eve of British entry to the Community, the six existing partners agreed on a fisheries policy loaded against the United Kingdom. British boats have lost most heavily from reduced access to waters outside the Community's 200-mile limit. Their share of catches in non-Community waters has been reduced by 213,000 tonnes.

Comparable figures for other member states are: West Germany 173,000 tonnes, France 52,000 tonnes, Italy 30,000 tonnes. The British industry is pressing for at least 40 per cent of the North Sea quota because of these three country losses and because 60 per cent of the fish swim in "British" waters. If negotiations fail, a 50-mile unilateral declaration limit should be imposed, it says.

Across the North Sea these arguments are firmly rejected by nations concerned about the future of their own industries and there are growing divisions among the Community partners bordering the North Sea.

Several of them, like Britain, invested heavily in reequipping boats and building new craft on the basis that grants were available and that it was the efficient, technically competent boats which could work most profitably. The cost of repaying loans and running the vessels could be met only by good catches. Returns in the early 1970s covered costs and gave fishermen high future expectations. In the words of the European Communities Commission, attempts at caring for stocks have failed miserably and the proverb that there are more fish in the sea than ever came out no longer rings true.

So, how can irreconcilable claims be met and less pillaging of North Sea stocks be enforced? The main weight of German and Italian fishing activity is concentrated outside the North Sea but they are concerned about the principle of their right to fishing there as Community members, particularly if restrictions are placed on their own traditional grounds.

In the North Sea part of the trouble is that fish obey biological rather than bureaucratic laws and for this reason the European fishermen believe the British claims are invalid. If fish breed in the east of the North Sea and then swim to the west that does not mean we are bad fishermen as some English suggest. That is a natural law. The Scottish herring, so-called, were spawned in the Skagerrak and Kattegat off Jutland. If we were as irresponsible about taking young fish you can be sure there would be nothing for the Scottish boats to catch," a Dutch skipper told me.

Mr Peter Siemens, manager of the Prunk Fishing Co at IJmuiden, a principal fishing port in Holland, also doubts the British arguments but feared that too severe conservation could save the fish but kill the fishing industry. "The young and the experienced men will simply walk away. The financial compensation that has been talked about is not enough to keep them here," he said.

The Dutch, German and Belgian coasts all have large centres of population and industry close by which could eventually absorb redundant fishermen and many members of the large German distant water fleet are foreign nationals. The particular threat for Holland is to the mussels or spring herring which, gutted and slightly salted, is a raw delicacy for the Dutch palate and lucrative for the fishing industry.

The fate of the mussels shows what a shift in conservation and political policies can mean for a traditional industry. Since 1970 the Dutch have celebrated the arrival of the first mussels with flags and festivals. Crews survived the

winter on the expectation of the spring catches which once totalled 12,000 tonnes or more, about one third of the whole Dutch catch. Last year Dutch vessels were restricted to taking only 1,500 tonnes of mussels and it was with natural grievance that the Dutch bought nearly all their young herring frozen from Denmark.

"Our processing industry is now surviving on imports from Denmark and Canada. We are giving all the opportunities away to Denmark which has a big industrial fleet but now seems to draw no distinction between fish caught for meat and for human consumption. The Danish fleet can catch the entire Dutch quota of herring in one day alone and when you realize that our 1,500 tonnes are worth £3m, the scale of the loss to Holland can be appreciated."

There was a general feeling among other EEC members that a drastic reduction would have to be made in the Danish fleet which has gone from industrial fishing capacity of any of the partners.

Mr Alberto Baldazzi, administrator for structure at Commission headquarters in Brussels, understood the difficulty of member nations keeping a broad view of fisheries policy. Britain did have a strong negotiating point in her losses outside the EEC waters, which had been heavier than those of any other nation, but balanced against that were the 26,722,831 units of account Britain had received from the Community to assist 175 fisheries projects since 1972.

Ireland was the closest to that level with 55 projects (8,555,234 units of account). "That is a very substantial level of assistance and must be taken into account. I think some politicians are going to

have to make a great climb down from their present positions."

Some British projects had been rejected by the EEC because of overall policy, notably a Scottish fish meal company which sought to increase radically the processing capacity for the North Sea. "We refused help because there is no point in paying to reduce Denmark's industrial capacity and at the same moment to increase Scotland's, especially when the whole aim for the next three years or so must be to depress the demands on the North Sea."

The level of compensation which has been agreed for vessels almost to stay in harbour and not catch herring has been set at £147 per tonne normally caught, half paid by the Commission and half by the member government. The scheme will cost some £5.5m next year. The aim is to keep the fleets in existence until the sea stocks recover, but it is doubtful whether fishing boats can be kept under wraps in this way and there is a widespread fear that much of the middle-water fleet of only moderately efficient boats will dwindle unless it is allowed to take commercial quantities of other species.

"All you have to do is compare £147 with the £2,000 per tonne we get at the height of the season for mussels. The answer is simple: men will walk away from the sea," a Dutch skipper said.

Perhaps this is what the Commission would prefer, while only the fleets stocks surviving on much reduced quotas which, for the scarcity value alone, would command far higher prices. Until now the quotas have been determined by the North East Atlantic Fish-

EEC Fishing Industry, 1976

	Belgium	Denmark	France	Germany	Ireland	Italy	Netherlands	UK
No. of Vessels	253	7,444	12,967	1,547	1,259	19,891	1,025	6,703
Total Tonnage	24,044	144,593	275,835	161,000	28,410	256,920	90,351	247,231
Men directly employed	1,015	15,316	32,000	5,158	7,229	65,000	4,327	22,017
Non-powered Vessels No.	—	3,112	—	912	1,222	22,850	12	12
No. over 100 Gt registered	89	358	607	151	27	247	308	630
Total catch 1,000 tons	44.5	1,878 (1,535 industrial)	691.4	431.4	80.7	376.6	246.2	931.8
Value in \$m	37.3	289.5	626.0	157.4	22.9	351.0	166.0	373.6
Total aid EAGGF 72-76 in ua	1,412,060	374,827	6,783,051	8,672,881	8,555,234	5,886,318	5,509,783	26,722,831

From statistics supplied by the European Commission.

Britain ready to increase trade with China

by Derek Harris

There is not much doubt that more trade will be done this year between Europe and the People's Republic of China. Auguries that the main benefits will go to the United Kingdom and France are good, particularly with Britain hovering on a deficit in trade with China.

West Germany, which has had double the exports to China compared with France and treble those of Britain, is, on the other hand, showing a heavy deficit with Peking. Although West Germany and Japan have lately been China's main suppliers of technology goods, Peking still stands solidly on the Maoist ethic of self-reliance, which in this context means striking a balance of trade.

The Chinese appear to have been going out of their way to play down Japan's trade role, so something similar could happen in West Germany. At any rate when Mr Li Chang, Peking's Foreign Trade Minister, made his first trip to Europe last month it was the United Kingdom and France he visited. More technical missions are due soon to follow up Mr Li's visit, which was restricted to generalized talks, with briefs for detailed buying.

It might be noted on the margin that Italy, too, has been in a trade deficit with China. But one impression left by Mr Li's delegation was that there will be some tough bargaining ahead on prices of industrial equipment, possibly with a need for governments to help in keeping these at the sort of bargain-basement level already set by Japan and West Germany.

The question now is what exactly the Chinese are interested in and what in detailed terms European companies are likely to gain. Two recent trade delegations to China from Britain—one was organized by the Sino-British Trade Council and the other by Lord Roll of Ipsden, chairman of S. G. Warburg, the merchant bankers—came back with the message that Peking now the dust of the "gang of four" affair has settled, intends to modernize as speedily as possible.

To do this the Chinese are prepared to buy a considerable amount of Western technology, although this is not necessarily a wide need. There is always the touchstone with the Chinese, too, that a new technology needs to be wrapped up in a specific product that they will buy. Again there is the

background theme of self-sufficiency.

Lord Roll, whose forecast was that Britain's exports to China—worth £68.2m last year—should at least double in the next 12 to 18 months, was clear about the main categories interesting Peking. They were oil drilling and exploration equipment, coalmining equipment, the power generation, chemical and metallurgical fields, and equipment for communications and transport.

The Chinese are likely to import considerable quantities of non-ferrous metals for some time and represent a likely market in equipment for the prospecting, mining and preparation of ores. They could also need smelters for aluminium, copper, lead and zinc.

This selection of the main categories was borne out during Mr Li's visit to Britain. He particularly singled out coal-mining equipment, an item the Chinese would want to order in quantity. The Chinese have obviously been pleased with British equipment already in use in China's massive coal industry.

It is clear that China is not interested in consumer goods as such. But that would not preclude, say, food processing equipment. There is a range of other possibilities from books to banknotes.

While Peking is likely to be buying technology goods from nationalized bodies such as British Steel Corporation, British Rail and British Aerospace, it could well mean that private sector companies would enter the picture as ancillary suppliers.

The Sino-British deal under which Rolls-Royce Spey engines will be produced under licence shows how this can work. Although China's machine tool industry has expanded in the past few years and now produces a wide range of tools, the Spey project will need imports of specialized tools.

It is an illustration, too, of the way the Chinese will buy an advanced technology wrapped in a particular product.

Some of the more obvious opportunities for medium-sized and smaller companies lie in scientific instruments, various sorts of machinery, both electrical and non-electrical, and in synthetic chemicals.

Since textiles is one of China's leading industries, with potential for additional exports from China, thus helping to maintain trade balances much of the future growth in this sector will come from synthetic fibres. This should mean imports of synthetic yarn and thread and then, as imported

fibre plants come on stream, textile machinery for synthetic.

China has large natural gas reserves still to be developed which is likely to mean buying in specialized equipment from liquefaction tanks to pipelines. Downstream activities from oil form a sector particularly rich in opportunity, with plants still needed for a wide range of products from dibasic acids and pvc to synthetic rubber and leather.

In France the Chinese have been making a particular study of telecommunications equipment. The Chinese are looking for technical cooperation to help with Peking's plan to modernize and automate the Chinese telephone system. But there is also interest in facsimile equipment and data-transmission systems.

Overall the economic guidelines—hardly exact because of the paucity of data on the Chinese economy—are that from this year gross national product should increase by at least 7 per cent annually, with industrial production probably growing by about 10 per cent a year. Agricultural production growth looks likely to be about 3 per cent a year.

For the businessman aiming at exports to China, establishing links can work at several levels. Where big projects are concerned the Chinese will probably send over technical missions and a foreign company may, by invitation, be asked to send its own experts to China.

At a lower level a company should send a full technical description to the appropriate state corporation—there are more than a dozen—which are the country's buying agencies. If the Chinese are interested, contacts will follow, usually through the Chinese embassy in the country concerned. Specialists look after the individual needs of each of the main buying corporations.

The Kwangchow Fair—the former Canton Fair—which is primarily a showwindow for Chinese goods, every spring and autumn offers the chance to get to know individual Chinese well up in the trading hierarchy. Visas are more easily obtained now.

Mrs Helen Sasson, managing director of Business Perspectives, which with *The Times* organized the Roll delegation, and broke new ground with a symposium presentation to leading Chinese, is not alone in believing a business pilgrimage to Kwangchow can pay off in learning the wrinkles on how things are done in China. Delegations and presentations, also can go some way to creating a favourable climate of opinion, she feels.

Canada: new diplomatic and industrial policies take shape

by Jacqueline Grapin

The main building of the laboratories of Northern Telecom in the suburbs of Ottawa is a plateau in glass and cement surrounded by acres of lawn, testifying to the cheapness of land there in comparison with land in Europe. Once one has arrived, and been shown into the president's office, it takes a few minutes' conversation to be convinced that there has not been some error.

Despite the youthful appearance of this doctor of physics and electrical engineering, which makes a European accustomed to the virtues of seniority mistake him at first for a personal assistant, his manner has the authentic stamp of a manager.

Charles Denis Hall is head of the 2,200 researchers in the Northern Telecom group, which has 25,000 employees, and is itself part of Bell Canada (45,000 employees). The research subsidiary of which he is president has an annual turnover of \$50m. Since 1958 it has recruited the best experts in its field from Canada and throughout the world. Today the average age of the research staff is still only about thirty. As they get older they will be offered other appointments in the group to make way for the next generation of technological young Turks.

Denis Hall will be all of forty next year. Everything around him smacks of America. And yet does he not epitomize the conscious and successful attempt to keep the United States at arm's length? His group is one of the most powerful multinationals in the world and can hold its own technologically with that in any other country. He exudes a sense of achievement.

The overlapping of the Canadian and United States economies is a fact of life. The United States provides the market for almost 70 per cent of Canada's exports and is the source of roughly the same proportion of its imports. It accounts for some 80 per cent

of total foreign investment in Canada and attracts more than half of that country's investment abroad. A very substantial proportion of Canadian industry is United States owned. It will be remembered that the Canadians took note too kindly to the rallying cry of "Vive le Québec libre" launched by General de Gaulle from a balcony of the Montreal town hall in 1967. Since then the "third option" policy launched in 1972 by the Trudeau Government, with the aim of giving Canada an alternative policy vis-à-vis the United States by building new relationships, notably with the European Community, may seem to have become to North America what Quebec represents in Canada.

Intellectually, this idea has taken a bold, it is abundantly clear that a new resentment has crept into Canada's attitude to the United States since President Nixon's decision to end the convertibility of the dollar and to impose a tax on foreign transactions. In 1971 Canada found itself, so to speak, turned out of doors by the United States, but still seemed to it. Suddenly Ottawa began to have thoughts of autonomy, wanted Canada to appear in its own right in the major international negotiations, no longer content to remain in the shadow of its powerful neighbour and made up its mind to make the weight of its substantial resources count.

The outline of this was, in diplomatic terms, a not inconsiderable success. Was not Canada joint chairman of the North-South conference? Did it not figure among the seven major powers which met at the economic summit in London a few months ago? Had it not succeeded in establishing a permanent delegation to the European Community in Brussels, and with it a permanent presence?

Its ambassador in Brussels, Mr Marcel Cadieux, is one of the most dynamic members of the Diplomatic Corps despite being of retirement age. He claims that "multilateral relations with the EEC can be combined with bilateral relations with the various European countries in all spheres in which the Community acquires jurisdiction" and comments mischievously that "this also enhances the status and power of the Commission."

Each according to his own interests perhaps, but it is a fact that on many points, whether of Mediterranean policy, positions of defence or Cyprus, the defence of democracy (in Greece or Portugal for instance) or responding to the aspirations of the developing world, Canada and Europe can lend strength to

each other's positions, just as they can give each other mutual support in dealings with the World Bank, the International Monetary Fund and the United Nations. Now it is difficult to demonstrate that Canada, with its vast financial resources, is complementary to Europe. It is well placed to adopt a real policy of non-alignment.

But can logic prevail over circumstances in so short a time? American solidarity is a time-honoured practice in Canada. True, since Britain's accession, the EEC is comfortable with Canada's second largest trading partner after the United States. But it takes only 12 per cent of its exports and supplies only 8 per cent of its imports.

Again, the EEC is the second source of direct investment in Canada, but it accounts for only 15 per cent of the total. Similarly, Canada is a long way behind the United States in terms of investment and market share in Europe.

"Contractual relationship, what does that mean?" was the irrelevant retort of a senior civil servant at the Ministry for Industry responsible for industrial expansion in Ottawa. The outline agreement on commercial and economic cooperation between Canada and the EEC which came into force on October 1, 1976, is indeed, despite its high-sounding title, couched in such general terms that it could be said to be meaningless. At the same time, as

always in such cases, it could be said that it means everything. The Canadian Diplomatic Service has tended to adopt the latter interpretation, and the business community is dragging its feet.

Public funds are being allocated to the development of trade with Europe. There have been several official economic missions (two large ones to Brussels, in March and September, 1977). Joint committees on cooperation have been set up officially in Ottawa under the aegis of the Canadian Ministry for Industry and groups of specialists are already at work on a series of industries and products: paper, timber, aviation telecommunications, non-ferrous metals and the nuclear industry, in which Canada's role as a supplier of uranium is potentially all-important.

However, people in Europe seem slow to appreciate that, although the Canadians are keen to establish a degree of autonomy, they are very particular about exactly what this means—it is rather a case of "more for Canada than thou." Alongside the new diplomacy, a new industrial policy is taking shape. Canadian exports to the Community consist largely of crude oil (somewhat less than two thirds), semi-manufactures (including minerals, timber and pulp) and food products, mainly wheat (one eighth of the total). Finished manufactures account for only about 10 per cent of the total.

It is hardly surprising that the importance of raw materials should loom so large in a country which is bigger than the United States and six times the size of the nine EEC countries put together, but nor is it surprising that it should be anxious to develop its industry and generate employment. Between 1961 and 1973 Canada increased production of motor vehicles by 37 per cent, cars partly by 44 per cent (Detroit, of course, is on the doorstep) and crude steel by 136 per cent. The Canadians have no intention to rest on their laurels. For them, the "contractual relationship" must be a means of developing their industrial policy or it will be nothing at all.

From Saskatchewan to Quebec, by way of Ontario and Manitoba, there is as much difference as between organized, liberal West Germany and undisciplined, technocratic France. The common authority over them all is eager to do so much, and so well, that it sometimes fails. But it keeps on trying. There is indeed much similarity between Canada and Europe. Until the year 2000 at least, the United States will keep the lion's share.

Essay prize

What does Europe mean to you? Does it evoke a personal experience? Is it an abstract ideal, a political reality or an intellectual challenge? How do you feel about it? The European Cultural Foundation, in Amsterdam, and Europa would like to know. The foundation is prepared to award the writer of the best essay on the theme "Europe is..." a prize of 3,000 florins. Entries should be between 1,000 and 1,500 words in length and should be submitted to the European Cultural Foundation, 5 Jan van Goyenkade, Amsterdam 1007. The Netherlands, by January 31. Essays will be considered by a panel of judges drawn from the European Cultural Foundation and Europa and the winning entry will be published in the April, 1978 issue of Europa.

Business Perspectives in association with The Times present a conference:

CHINA AND BRITAIN - THE PROSPECT FOR TRADE

Chairman:

Lord Roll, Chairman of S. G. Warburg & Co. Ltd.

Speakers:

The Rt. Hon. Edmund Dell, MP, Secretary of State for Trade.

The Rt. Hon. Edward Heath, MP, former Prime Minister of Great Britain.

Sir John Keswick, KCMG, Matheson & Co. Ltd.

Mr. Peter Marshall, MBE, Sino-British Trade Council.

Lord Robens, Chairman of Vickers Ltd.

Mr. Kenneth Thorogood, Executive Chairman of

Tozer, Kensley & Millbourn (Holdings) Ltd.

This conference is being organised to enable those companies interested in trading with The People's Republic of China to hear the more detailed conclusions of the two most recent missions of senior industrialists which returned from China in October and November. Those attending will be able to assess the resources and emphasis which their companies should allocate to the substantial opportunities which this market presents, both in the immediate and long term, and will also gain an insight of how to approach this.

The Royal Lancaster Hotel, London 6th February, 1978

BOOKING FORM

To Business Perspectives, Box 0426 K, The Times or telephone: 01-564 3132 01-569 3197 VAT no. 241 9935 44

Please reserve place(s) at CHINA AND BRITAIN—THE PROSPECT FOR TRADE (£80+VAT) Please invoice company. Please send further information.

Name(s) Position

Company Address

Telephone

COTE D'AZUR

Comfortable, delightfully located villa apartment for your holiday, with swimming pool, motorcycling minutes from MONTE CARLO. Write: Box 0425 K, The Times.

PLAIN
SMOKERS

Today Piccadilly No1 is 56^{*}p

and they are the same length and diameter
as other plain cigarettes at 69p*

Piccadilly No1 has passed
on the full tax reductions
made possible by the
E.E.C. tax harmonisation,
effective January 1st, 1978.

SAVE 13p!
against 69p* plain cigarettes

- switch to

Piccadilly No1 Plain

is lighter on your pocket and now lower in tar

(Piccadilly No. 1 is in the same tar group as most filter cigarettes sold)




*Recommended Retail Price

MIDDLE TAR As defined in H.M. Government Tables.
H. M. Government Health Departments' WARNING:
CIGARETTES CAN SERIOUSLY DAMAGE YOUR HEALTH

© TIMES NEWSPAPERS LIMITED, 1978. Printed and Published by Times Newspapers Limited at New Printing House Square, Gray's Inn Road, London WC1X 8EZ, England. Telephone: 01-637 1244. January 3 1978

هكذا من الاميل



ACCOUNT DAYS: Dealings Begin, Today. Dealings End, Jan 13. \$ Contango Day, Jan 16. Settlement Day, Jan 24.

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)
